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Welfare policy institutions in the enlarged EU - convergence, divergence or persistence?

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Abstract

Have mature Western and transitional Eastern European welfare states of the enlarged EU converged in the last two decades? If so, in which direction? Are there "convergence clubs" and in which ways do welfare regimes constrain possible convergent developments? Several theoretical perspectives engage with these questions, offering at least three basic causes of convergence. It is expected to occur as a response to similar demographic, economic and international pressures; as a result of the increasing emphasis on social policy at the EU level; and as a result of the eastern enlargement of the EU. Most of the approaches suggest a race to the bottom of social standards, yet empirical evidence is only partial and ambivalent so far.

This paper analyzes welfare state convergence from a macro-comparative perspective. It tracks the development of core welfare state institutions in the enlarged EU by looking at several trends. Examining 26 European countries from 1995-2007, the analysis focuses on generosity and eligibility criteria of the benefits in three different core fields of income maintenance, unemployment and sickness benefits as well as minimum pensions. It builds on new data on standardized institutional variables which facilitates analyzing different welfare programs for two different family types separately. More importantly, the data also permits including all ten Central and Eastern European new member states in a time series analysis – a longstanding deficit in quantitative comparative welfare state research due to a lack of data. We draw on different measures of convergence for assessing welfare policy dynamics. The results reveal partial, yet program-specific convergence and by no means a race to the bottom of social security in Europe.

Keywords: Welfare policy, convergence, enlarged Europe

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1 Introduction[1]

Over the last decades, European welfare states have been challenged by several factors. Both Western and Central and Eastern European (CEE) welfare states have been confronted with multi-faceted challenges such as competition pressures caused by increased economic globalization, major demographic changes and changes in societies' socio-economic structures as well as austerity of social security systems and budget deficits. Many political and academic observers have suspected that the entirety of the above-mentioned challenges together with the integration of the post-communist countries in the European Union (EU) could entail a race to the bottom and reduce welfare state standards in Europe as a whole. This position is primarily based on the assumption that during economic and political transition, CEE countries were likely to reform their welfare systems by introducing only rudimentary social security systems along more or less liberal lines far below the social standards of the mature Western European welfare states. Because political systems have increasingly become interdependent and the diffusion of policies across borders has intensified due to globalization and in particular European integration, European states are intertwined to an extent never seen before. Hence, if the proponents of the race to the bottom hypothesis prove to be correct, a downward convergence of welfare policy patterns and standards across Europe is to be expected. However, domestic political responses and path-dependent policy developments may have caused divergent reactions and subsequent policy changes vis-à-vis the challenges and competition pressures.

Although convergence of welfare states has been one of the "big" issues in comparative welfare state research for nearly two decades now, the focus has been mainly on OECD countries or the Western European EU member states. Impacts of Europeanization in the sense of the eastern enlargement of the EU have therefore been largely neglected at least from the empirical point of view. Additionally, the bulk of convergence studies have tended to focus on social expenditures and/or revenues as an indicator of welfare policies (for example O'Connor 1988; Greve 1996; Alonso et al. 1998; Hagfors 1999; Alber and Standing 2000; Gornick and Meyers 2001; Bouget 2003; Corrado et al. 2003; Sosvilla-Rivero et al. 2003; Castles 2004; Navarro et al. 2004; Sanz and Velázquez 2004; Adelantado and Cuevas 2006; Alsasua et al. 2007; Attia and Bérenger 2007; Jensen 2011; Schmitt and Starke 2011). Much less studies have focused on welfare policy institutions, that is, the actual provision of social security and welfare services as it is expressed in national legislation on social protection (for example Montanari 1995, 2001; Cornelisse and Goudswaard 2002; Tomka 2003; Kangas 2004; Montanari et al. 2007, 2008; Caminada et al. 2010; Nelson 2010; Ferrarini and Sjöberg 2010). This is partly due to a lack of quantitative data on welfare policy institutions especially for the CEE

countries and for time-series.[2] Therefore, barely any systematic comparative studies on the dynamics of welfare policy institutions integrating all new member states of the CEE and thus providing insight in welfare policy developments in the enlarged EU have been performed so far.

This paper addresses this shortcoming in contemporary research by asking whether a convergence of welfare policy institutions can be observed in the enlarged EU and if so in which direction convergence is pointed (e. g. race to the bottom, race to the top, or a new European model). We track the dynamics of welfare policy institutions in 26 European countries[3] between 1995-2007 by looking at the generosity and eligibility criteria of social benefits in three different core fields of income maintenance, namely unemployment and sickness insurance and minimum pensions. The comparison of these three income replacing programs is especially interesting from the point of view of retrenchment; unemployment benefits concern a growing, but volatile beneficiary population due to increasing unemployment and insecure employment situation and are therefore a politically salient issue. At the same time, unemployment benefits have been subject to political adjustment recently, especially with regard to the switch from protective to activation policies. Although – or maybe because – concerning a basic need of virtually every labor force member at some point of employment, sickness benefits are politicized to a lesser extent. Nevertheless, there have been signs of retrenchment and convergence towards the corporatist model of sickness insurance in the OECD countries (Kangas 2004). Minimum pensions in turn are addressed to a relatively small, but especially vulnerable group of elderly needy with no other sources of income, often women without or with only a partial own working and consequently contribution history qualifying them for other forms of pension. While the level of unemployment benefits normally is conditional to previous income, minimum pensions are usually flat-rate, often means-tested benefits targeted to assure minimum income. Although minimum pensions are likely to gain in importance due to the growing proportion of elderly population, irregular employment and recent reforms in pensions systems with a growing emphasis on private solutions, minimum pensions have attracted much less attention in comparative literature than other fields of income security (Goedemé 2010).

Our empirical analysis is based on new data on standardized institutional variables collected by the authors at the University of Greifswald. The data facilitates analyzing the generosity of different welfare programs for two different family types and income situations separately. By drawing on distinct measures of convergence, we not only provide insight into whether convergence in the enlarged EU takes place in the first place, that is, whether the European welfare states are becoming more similar with regard to their institutional setting, but also into the direction of the dynamics and into potential emerging convergence clubs within the EU. While

[2] Two more recent datasets on welfare entitlements which are publically available have made a valuable effort in offering institutional data on social security benefits; the SCIP data by Korpi and Palme (2007) and the CWED I data by Scruggs (2004). Neither of them includes the CEE countries, though.

[3] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom; Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Iceland and Luxembourg are excluded due to insufficient data on welfare policies.

this study is purely descriptive, it prepares ground for more refined analysis of convergence and its causes in the enlarged EU.

The paper is structured as follows: The next section gives a brief overview on the proposed causes and expected directions of welfare policy convergence in the EU. The third section introduces the data and the measures used in the empirical analysis, the results of which are then presented in the fourth section. We conclude by discussing the results and potential further research directions in the last section.

2 Convergence of welfare institutions in Europe – theoretical background

What is meant by convergence and why should we expect convergence of welfare institutions to occur in the enlarged Europe? In general, *convergence* is defined as "the tendency of societies to grow more alike, to develop similarities in structures, processes and performances" (Kerr 1983: 3). A more recent definition in the comparative political science which we will refer to is given by Knill (Knill 2005: 768):

> "[P]olicy convergence can be defined as any increase in the similarity between one or more characteristics of a certain policy (e.g. policy objectives, policy instruments, policy settings) across a given set of political jurisdictions (supranational institutions, states, regions, local authorities) over a given period of time. Policy convergence thus describes the end result of a process of policy change over time towards some common point, regardless of the causal processes."

Convergence can thereby be either complete – when no variance between the observations is left in the end – or incomplete – when variance declines, but differences between the cases remain (Plümper and Schneider 2009). Considering the great variety of welfare policy arrangements in Europe and the relatively short time period under analysis, it is very likely that, if at all, we can only expect incomplete convergence to occur. It is the direction and magnitude of convergence in the first instance which is of interest in this study. In particular, the "race to the bottom"-hypothesis suggests not only that convergence in Europe occurs, but also the direction being towards the lowest social standards or, with other words, towards the welfare state laggards.

The convergence forecast is based on several causal arguments which emphasize both international and domestic pressure factors. From a mainly functionalist perspective, *common pressures within nation states* force governments to recalibrate and ultimately to retrench welfare policies. On the one hand, new social risks emerging mainly from deindustrialization and defamilization processes generate new needs to which welfare policy answers have to be developed or existing solutions modified and amplified (Taylor-Gooby 2004; Esping-Andersen 2002, 2009). Such needs include for example public care for children and elderly as well as reactivation measures for long-term unemployed. On the other hand, the financing of the existing (and new) social security programs is not sustainable due to increasing imbalance between active population, that is, contribution and tax payers, and dependent population in particular as a consequence of the aging population. Public debts and fiscal imbalances in general aggravate the austerity problem. While the European wel-

fare states are affected by these tendencies to a varying degree, all of them neverthe-less face challenges posed by these socio-demographic and fiscal pressures. All countries thus have to develop solutions to solve these similar needs pressures, al-though the reactions are seen as independent from the functionalist point of view.

The main driving force for convergence processes postulated in the scholarly work on policy convergence in general lies beyond the borders of nation states, though, and is grounded in *international developments*: internationalization, globali-zation, Europeanization, diffusion and policy transfer are umbrella terms capturing several processes at work.[4] Besides independent domestic problem solving, scholar-ly work on policy diffusion distinguishes between four mechanisms potentially lead-ing to convergence: imposition, international harmonization, economic competition and transnational communication. The latter subsumes lesson-drawing, transna-tional problem-solving, emulation and international policy promotion (Dobbin *et al.* 2007; Holzinger and Knill 2005). Each mechanism comprises a stimulus targeted at policy makers. However, the actual aim of the stimulus may differ: while imposition and harmonization forces policy makers to adjust concrete legal rules, economic competition creates an atmosphere favoring or resisting welfare reform in a broader sense.

The argument that *economic competition* leads to convergence follows a func-tional logic: states need to be competitive on globalized markets, and at the same time face economic actors with an "exit-option" due to capitals', goods' and workers' ever increasing mobility. As a result states engage in a regulatory competition by lowering standards, abolishing trade barriers and reducing taxes in order to attract investment: "An extreme version of the efficiency hypothesis therefore assumes that unleashed market forces will induce a downward spiral in benefit provision and regulatory standards which is paralleled by policy convergence towards a 'liberal' model of social provision" (Obinger *et al.* 2010: 7; cf. also Dobbin *et al.* 2007: 457–460; Scharpf and Schmidt 2000a, 2000b). In Europe, the integration of the post-socialist states into the Common Market accelerated such competition pressures for the old EU member states. Yet the efficiency hypothesis neglects both the scope of domestic policy making and the fact that different sectors are affected by competi-tion pressures to a varying degree. Competition pressures due to economic globali-zation are therefore likely to result in more nuanced reactions (Garrett and Mitchell 2001; Burgoon 2001; Castles 2004; Korpi and Palme 2003).

Other international factors hypothetically causing convergence are mainly based on institutionalist or constructivist views. While the Western European welfare states have not directly been affected by *imposition*, the CEE transitional welfare states have been subject to conditional transfers on behalf of international organiza-tions, most notably the International Monetary Fund (IMF) and the World Bank. These supranational organizations promoted a liberal, residual model of welfare in the CEE countries especially in the beginning of the 1990s. The liberalizing effect of this conditional policy transfer has been ambivalent, though, and as recent contribu-

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[4] The extent to which the common pressures are expressions of the international developments is beyond the focus of this study. This implies that we treat them as distinctly, hence independent explan-atory origins. For a similar argument see Lenschow *et al.* (2005: FN 1); Bennett (1991: 231); Holzinger and Knill (2005: 786). A related distinction is drawn by Levi-Faur (2005), between "horizontal", "top-down" and "bottom-up" explanations.

tions on the characteristics of the CEE welfare states show, no unitary residualistic welfare model has emerged (Deacon 2000; Cook 2007; Orenstein 2008; Inglot 2008; Cerami and Vanhuysse 2009; Kuitto 2011).

Europeanization provides a strong amplifier for all other mechanisms at work potentially leading to convergence. Although *harmonization* in the sense of legal obligations at the EU level does not concern the main pillars of social policy – which remain a national matter –, the EU impacts welfare policies of its member states in various ways. First, social policy is indirectly affected by other policy fields regulated at the EU level, first and foremost the economic and fiscal policies (Hagfors 2000; Montanari *et al.* 2008; Attia and Bérenger 2009). Direct fiscal pressures stem from the convergence criteria of the European Monetary Union designed to maintain price stability in the EU. Governments should adopt appropriate measures to ensure a low inflation ratio, to keep the annual government deficit and government debt under control, and to protect the long-term interest rates. The convergence criteria hence "effectively put limits to politically induced demand for economic recovery" (Montanari *et al.* 2007: 793). Especially social expenditures could therefore be the target of fiscal measures aiming at cost containment, and hence resulting in a downward convergent trend. In the CEE countries, the implementation of the *acquis communautaire* and meeting the Copenhagen criteria in the framework of the accession process has framed the transition of the welfare states to a great degree. Second, especially the social inclusion strategy and its main tool, the Open Method of Coordination (OMC) facilitate an arena for policy *emulation and learning* which is likely to affect welfare policies in the EU member states (Pochet 2005; Montanari *et al.* 2008). While strong hopes were projected onto the OMC in the beginning, current studies have a more nuanced if not critical view of the EU's influence on social policies (Ferrera 2005; Hacker 2010; de La Porte 2002; de La Porte and Pochet 2004; Zeitlin *et al.* 2005), because even the OMC at the moment still places economic objectives above social objectives (Büchs 2007). While the OMC has made comparisons across implemented practices and hence learning easier, it is doubtful whether the OMC both qualitatively as well as quantitatively has the power to assure convergence in terms of economic and social improvements. Again, the OMC as a channel of policy diffusion through learning and emulation has been potentially more influential for the transitional CEE welfare states in search for suitable institutional solutions in the domain of social security and possibly also for the Southern European welfare states than for the Western European established ones.

In sum, the proposed causes of welfare policy convergence in Europe are neither unidirectional nor uncontroversial. A race to the bottom therefore does not appear the only, not even the most likely direction of welfare policy dynamics. More importantly, a stimulus of whatsoever origin discussed above only leads to convergence of policies if actual decisions by policy makers are taken accordingly. If not, divergence or persistence remains. Partisan government, institutional pathways and economic constraints might facilitate persistence or even further divergence of welfare policy institutions. Rather than complete convergence, we would thus expect partial and sectorally diversified convergence. We would also expect different welfare regimes to react in a different way to the challenges given their inherent distinctive characteristics in funding, spending structure and social rights.

3 Data and measurement

This study is based on a macro-quantitative comparison of the 26 European countries. The cases are chosen in accordance with the most similar systems design; all countries in the period of analysis are European industrialized democracies and all are member states of the European Union (EU) with the exception of Norway and Switzerland.

3.1 Data

The data on the generosity of the unemployment, sickness and minimum pension benefits is taken from a new dataset "European Comparative Welfare Entitlements Data (ECWED)" collected by the authors at the University of Greifswald. It entails data on replacement rates and eligibility criteria on currently three different income maintenance schemes (unemployment and sickness benefits as well as minimum pensions) on an annual time-series basis from 1995-2007 for 26 European countries.[5] The replacement rate refers to the rate of the net social benefit to net in-work wage and thus reflects the relation of the income drawn from social security benefits to the income drawn from earnings when in work. It is the result of social rights (the amount of benefit defined by law), rules of taxation and social contributions due from the benefit for a specific household type and income level, and the relation of income and benefit growth (depending among other things on the indexation of benefits and the growth of wages). The eligibility criteria refer to the conditions of entitlement; qualification period, duration of benefit and waiting days.

For sake of cross-country comparability, the data is collected on a so-called type case-basis. Following the coding rules established in the Comparative Welfare Entitlements Dataset (CWED) by Lyle Scruggs (2004), the replacement rates are calculated with reference to two model cases: a) a single worker in manufacturing industry, 40 years of age and 20 years of employment before receiving the benefit and b) the same worker, but with a dependent spouse and two children aged 7 and 12 years. The reference wage is the Average Production Worker Wage (APWW) also used in the calculations of the OECD Benefits and Wages series as well as in the Social Citizenship Indicator Program (SCIP, Korpi and Palme 2007).[6] The main sources for our data are the *EU's Mutual Information System on Social Protection* (MISSOC; for years prior to 2004 old online files and hard copies of the yearly publications were consulted), the *OECD Benefits and Wages* series and the *ISSA database* (formerly *Social Security Programs throughout the World, SSPTW*). The *OECD Tax/Benefit*

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[5] The dataset is currently being extended to cover further social insurance programs (standard pensions) as well as several additional household types and unlimited income situations in order to enable more specific and dynamic analysis of the generosity of welfare entitlements for different societal groups and situations of social risk (http://welfare.uni-greifswald.de).

[6] Since 2005, the OECD reports only the wage for the Average Worker (AW) instead of the APW. Although the AW certainly better reflects the "standard worker" and his/her income today due to the diminishing importance of production sector and the growing importance of service sector in Western highly industrialized states, this poses a serious challenge for any time-series cross-sectional data using the APW/AW as a denominator. In the absence of a more appropriate solution, we have adjusted the APW series for the years 2005-2007 by extrapolating the values on the basis of the overlapping growth rates of the APWW and AWW and by controlling the development of other wage series like the Hourly Direct Pay by the U.S. Bureau of Labor Statistics (for a more detailed description, see Jahn *et al.* (2011). This way, we have been able to generate continuous time series of the replacement rates from 1995-2007.

Model[7] is used for validation purposes and cross-checks. For the CEE countries, data is also taken from the *Mutual Information System on Social Protection in the Central and Eastern European Countries* (MISCEEC) and the *Mutual Information System on Social Protection of the Council of Europe* (MISSCEO). Additionally, in almost all cases national sources and experts were consulted for acquisition and verification of data. The main sources for the data on APW wages and tax systems are the *OECD Taxing Wages* series as well as the *European Tax Handbooks*. For the non-OECD CEE countries, data on APW wage is taken from Eurostat which is fully compatible with the OECD data.[8]

3.2 Instruments of measuring convergence

The empirical analysis is based on descriptive statistics capturing convergence. We thereby distinguish between four types of convergence (Holzinger and Knill 2005). *σ-convergence* describes the simple becoming-more-similar of policies by looking at the variation. Descriptive measures like the mean, minimum and maximum (range), the standard deviation as well as the coefficient of variation[9] are instruments to analyze the magnitude and direction of σ-convergence. Graphically, box-plots and line graphs are adequate means of illustrating the trends. Regressing the level at time point t_1 onto the change between t_1 and t_2 indicates whether laggards "catch-up" (*β-convergence*). If countries starting at a low level grow more rapidly than countries starting at higher levels, a negative coefficient would capture this catch-up. The reverse, however, is also true: countries with a high level in the beginning but negative changes (cuts) "catch-down" from the top – also resulting in a negative coefficient. Again, line graphs are able to clarify which of these trends causes the negative coefficient. Rank correlations are measures to identify changes of ranks in the sample (*γ-convergence*), but mobility does not necessarily imply convergence or divergence. Hence, where appropriate and illustrative, we report the correlation, but do not focus on this type extensively. Far more interesting – because it relates to the question of a race to the bottom or a race to the top – is the fourth type: *δ-convergence* measures the distance to an exemplary model. While it is often difficult to define the reference point (this could be the best existing practice or an abstract benchmark), we opt for setting the annual three most and three least generous countries as points of reference. For this purpose we use Euclidian distances to answer the question whether European welfare states approach the bottom or strive for the top (see also Holzinger and Knill 2005; Holzinger *et al.* 2010). The Euclidian distance as we use it indicates the distance of the *whole* sample from the reference point. A declining value thereby means that the whole sample gets closer to the reference point. If both the distance to the top *and* the bottom declines, convergence takes place, since the sample becomes more cohesive. If only one of them declines convergence clubs seem to be emerging.

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[7] Downloadable at http://www.oecd.org/document/3/0,3746,en_2649_34637_39617987_1_1_1_1,00.html, last accessed June 26, 2011.

[8] For detailed information on coding and sources, see Jahn *et al.* (2011).

[9] A problem with this coefficient, however, is that it suggests convergence (i.e. a decrease of the coefficient), if the standard deviation remains stable, but the mean increases. Reversely, if the mean decreases it suggests increasing divergence. One must therefore always take the development of the mean into account when interpreting the coefficient.

Throughout the analysis we draw on the welfare state regime-approach and the consequent advancements to group countries in order to illustrate the developments of welfare policies not only across the single European countries, but also among the welfare regimes (Esping-Andersen 1990). We apply the labels used by Ferrera (1996), which differ only with regard to the denomination of the three original regimes (the liberal regime is denominated as Anglo-Saxon, the corporatist-conservative as Bismarckian, and the social democratic regime as Scandinavian) and add a Southern European type (Greece, Italy, Portugal and Spain). We also add a fifth group consisting of all ten new CEE member states of the EU (Central and Eastern European). The use of this classification, however, does *not* imply any pre-judgment whether these countries do indeed form such distinct welfare clusters with regard to our welfare policy indicators, or whether the CEE countries actually form a regime of their own. We leave this question of identifying patterns or clusters of welfare policies to a later stage. The regime approach in the way it is used for this chapter is simply a means to an end – to summarize and illustrate welfare policies and possible convergence processes especially with regard to how the new member states relate to the established welfare regimes as a group. Table 1 details the grouping according to the regime type labels:

Table 1. Country grouping applied in the empirical analysis

Label	*Countries*
Anglo-Saxon	Ireland, United Kingdom
Bismarckian	Austria, Belgium, France, Germany, the Netherlands, Switzerland
Scandinavian	Denmark, Finland, Norway, Sweden
Southern European	Greece, Italy, Portugal, Spain
Central and Eastern European	Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia

Source: Arts and Gelissen (2002: 149), own amendments.

4 Results of the empirical analysis: Dynamics of welfare policies in the enlarged Europe

In this section we report the results of our empirical analysis regarding the question whether we witness convergent developments in welfare institutions in the enlarged Europe between 1995 and 2007, or continuing or even increasing diversity. If there is evidence of convergence, in which direction does the trend point to – is there a race to the bottom or to the top? We begin with the generosity of minimum pensions and then move on to unemployment and sickness benefits.

4.1 Minimum pensions

With minimum pension, we refer to public pension or equivalent benefit, for which a person without working or pension contribution history is entitled for. In some countries this is a special public pension scheme like the *Folkepension* in Denmark or *Kansaneläke* in Finland. In yet other countries the minimum pension equals (often means-tested) social assistance like in Germany. The replacement rates thus

reflect the level of income from minimum pensions compared to the in-work income of the respective family type. Table 2 summarizes the developments of the minimum pension replacement rates for single and family household type in each country in 1995, 2000 and 2007 as well as the difference between 1995 and 2007 in percentage points. Statistical measures to assess trends of convergence (mean, minimum, maximum, standard deviation, coefficient of variation, β-coefficient indicating catch-up processes as well as Euclidian distances of the sample mean to the mean of the top-3 and lowest-3 performing countries indicating a race to the top or the bottom) are reported at the end of the table. Figure 1 shows the development of the average replacement rate (average of single and family rate) across the different welfare regimes.

Figure 1. Minimum pension average replacement rates (by regime type), 1995-2007
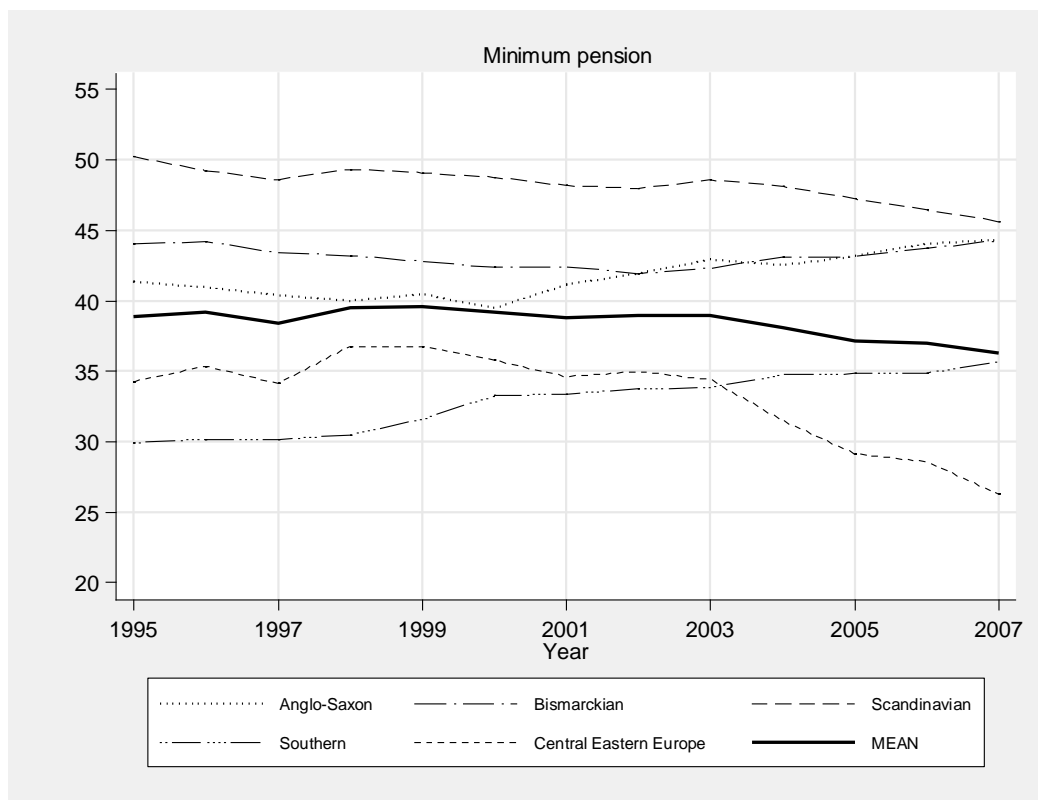
Table 2. Minimum pension replacement rates (by household type), 1995-2007

	Single (% of APWW)				Family (% of APWW)			
	1995	2000	2007	95-07	1995	2000	2007	95-07
Anglo-Saxon								
Ireland	35.91	34.46	38.55	2.63	57.45	54.21	58.59	1.14
United Kingdom	30.02	29.04	34.93	4.91	41.99	40.15	45.20	3.21
Bismarckian								
Austria	49.20	48.64	47.29	-1.91	56.67	54.18	58.15	1.47
Belgium	39.00	37.64	45.39	6.39	38.04	36.98	44.97	6.93
France	46.39	42.95	40.85	-5.54	70.04	66.32	63.43	-6.61
Germany	18.43	17.94	19.48	1.05	26.31	23.29	25.93	-0.38
Netherlands	45.68	46.30	46.96	1.27	55.75	55.78	56.03	0.28
Switzerland	36.41	34.30	35.48	-0.93	46.78	44.10	47.57	0.80
Scandinavian								
Denmark	48.80	46.03	41.79	-7.01	60.21	57.91	51.04	-9.17
Finland	36.11	30.54	26.80	-9.31	53.30	46.99	42.67	-10.63
Norway	40.89	45.88	45.69	4.80	57.16	67.90	74.21	17.05
Sweden	41.34	37.12	32.80	-8.53	64.12	57.90	50.07	-14.05
Southern European								
Greece	11.83	17.79	25.90	14.07	19.52	29.69	42.68	23.16
Italy	25.31	29.39	28.41	3.09	49.59	52.53	49.46	-0.13
Portugal	21.01	23.80	25.13	4.13	37.96	42.86	44.13	6.17
Spain	28.89	27.70	27.48	-1.41	45.28	42.35	42.15	-3.14
Central Eastern European								
Bulgaria	11.10	25.01	21.90	10.80	20.00	45.63	37.88	17.88
Czech Republic	36.09	35.59	18.98	-17.12	51.22	45.08	27.17	-24.05
Estonia	17.25	26.63	20.21	2.95	27.14	41.55	33.39	6.26
Hungary	35.20	33.01	27.35	-7.85	46.07	43.14	36.28	-9.79
Latvia	37.38	32.97	19.24	-18.14	60.73	55.40	32.37	-28.36
Lithuania	18.52	16.57	16.30	-2.22	37.05	33.13	29.94	-7.11
Poland	34.19	28.18	23.94	-10.25	52.97	44.27	33.08	-19.88
Romania	17.29	10.75	14.09	-3.20	23.38	16.89	23.58	0.20
Slovakia	41.55	49.47	24.56	-16.99	33.09	66.16	36.78	3.69
Slovenia	29.72	23.37	20.27	-9.45	55.29	43.08	28.78	-26.51
Mean	32.06	31.96	29.61	-2.45	45.66	46.44	42.90	-2.75
Minimum	11.10	10.75	14.09	2.99	19.52	16.89	23.58	4.06
Maximum	49.20	49.47	47.29	-1.91	70.04	67.90	74.21	4.17
Standard deviation	11.35	10.47	10.27	-1.08	14.20	12.52	12.53	-1.66
Coefficient of variation	0.35	0.33	0.35	-0.01	0.31	0.27	0.29	-0.02
"Catch-up" (β-coefficient)				-0.36				-0.52
Euclidian distance								
...to the top-3	99.67	97.68	100.91	1.24	121.37	121.19	130.76	9.39
...to the lowest-3	110.78	100.96	84.44	-26.34	144.55	133.61	108.39	-36.16

In general, significant differences with regard to the minimum pension replacement rates between the European countries occur. Furthermore, married couples are better off than single beneficiaries in terms of income level from minimum pen-

sions, this pointing to the importance of family/spouse supplements and tax reliefs. When looking at the mean of the European countries, minimum pension replacement rates declined slightly between 1995 and 2007. Two country groups, the Scandinavian and the CEE countries, stand out with decreasing levels of minimum pensions especially after 2003. Much more dynamics can be observed with regard to the replacement rates of the CEE countries than of the established welfare states, though, underlining the developing character of the CEE welfare states. The Scandinavian countries started from a comparatively high level, but engaged in a race to the middle as the declining levels of their replacements rates show. The decrease was especially high for the family household type. Norway, on the other hand, increased the replacement rates, with even higher gains for couples. This led to ingroup divergence in the Scandinavian regime type. With Sweden, Denmark and Finland retrenching their generosity, they approached the mean value of the Bismarckian countries, which – on average – remained fairly stable. UK and Ireland catch up on the Bismarckian countries and the three regimes thus form a convergence club after the turn of the millennium, leveling at around a replacement rate of 45%. It is noteworthy, though, that Germany, often seen as the Bismarckian prototype (Arts and Gelissen 2002: 159), lags far behind the other continental countries with a replacement rate similar to lower CEE levels.

The Southern European countries Greece, Spain and Portugal started from relatively low levels, but strive to the top. In 2007 they remained in a middle position between the convergence club of the Bismarckian, the Scandinavian and the Anglo-Saxon countries at the top and the CEE countries at the lower end. While the initial level in these countries – on average – was even higher than in the Southern countries, the recent trend suggests a race to the bottom. Especially the Czech Republic, Hungary, Latvia and Slovakia started from levels close to the Anglo-Saxon mean, but engaged in retrenchment ever since. If this trend is to continue, Europe is heading towards a dual split along the "old" member states and the new CEE countries. It should be noticed, however, that the absolute minimum increased, i.e. there is no bottomless downward trend. As a result, the most commonly used indicator for σ-convergence, the coefficient of variation, indicates convergence between 1995-1997 and 2001-2003, but divergence from 1997-2001 and after 2003, the latter mainly driven by the downwards development in CEE.

In a last step we take a look at δ-convergence. The Euclidian distance values at the bottom of Table 2 indicate the distance of the sample to the three worst- and best-performing countries (the highest vs. the lowest three replacement rates in each given year)[10]. In aggregate, the European average gets closer to the lowest standards, thus implying a kind of race to the bottom. Before engaging in pessimistic views, however, one should note that this indication of a race to the bottom is mainly driven by the CEE and the Scandinavian countries heading downwards, yet from very different levels.

To sum up, there is considerable divergence with regard to the level of the minimum pensions replacement rates in Europe at the most general level, but convergence clubs appear: on the one hand the Anglo-Saxon and Southern countries move

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10 It should be noticed, however, that the composition of the reference group (top three and lowest three countries) is dynamic. Thus, the interpretation is less easy than referring to a static and more illustrative group of countries, which e.g. "on average" are known as the forerunners or laggards.
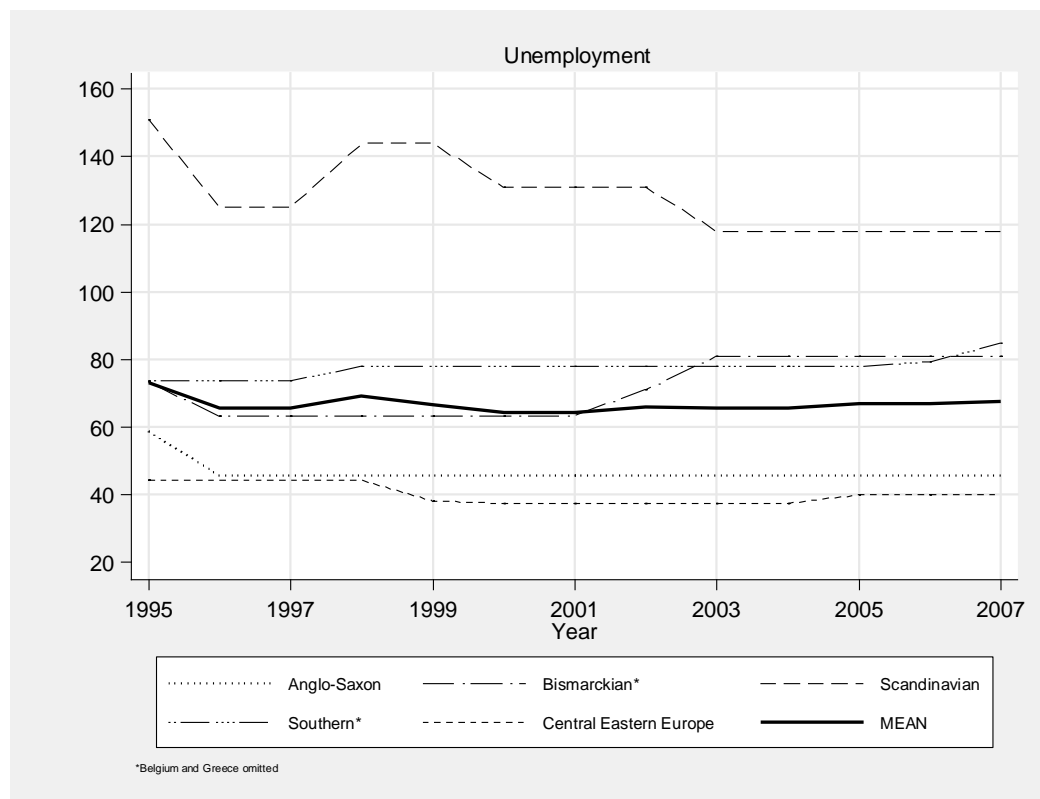
up and the Scandinavian countries "catch-down" from the top, resulting in a race to the middle (or one may even call it a "race to the Bismarckian type"). On the other hand the CEE countries are heading towards the bottom since the early 2000s. If this trend will continue we may well witness a "European model" at the middle, which does not encompass every member state. As a result, a dual split in Europe along the "old" and "new" member states might emerge. These findings are in line with findings about the trends in social assistance in general and point to the potentially higher vulnerability of basic social assistance and minimum income to cutbacks when compared to other social benefits (Nelson 2010).

4.2 Unemployment benefits

Recent trends in unemployment benefits are especially interesting given the academic discussion about a paradigm shift from protection to activation, with an inherent notion of less generous schemes in order to provide incentives to (re-)join the job market faster. We start with the trends in eligibility criteria – under which conditions does an unemployed worker qualify for getting benefits and for how long – before moving on to the replacement rates.

Eligibility criteria as a structural feature of the countries' unemployment schemes remain interestingly stable. Some trends are observable, though: the average *qualification period* rose from about one year to 1 ¼ year from mid-1990s to 2007. In almost all countries the number of weeks required for qualifying for unemployment benefit was raised. In cases where it was reduced, like Lithuania or Portugal, it was initially far above average. In the case of Portugal this reduction led to in-group convergence within the Southern countries. In addition, two countries are worth mentioning: Hungary reduced the qualification period from 52 to 29 weeks (52 again from 2008 on). Slovakia in turn increased the number of weeks required from 52 to 156. Together with the Netherlands and Germany, employees in these three countries have to be employed for the longest period in Europe before qualifying for the benefits. Apart from these singular changes, the qualification period criterion does not witness any strong convergent trend, and cross-country variation in Europe remains fairly unchanged.

The *duration of benefit payments* (Figure 2) is characterized by a slight downward trend and slight convergence. The average number of weeks, for which our unemployed type-case worker receives benefits, dropped from 73 to 68 weeks (the European exemption is Belgium with unlimited duration). This decrease which is indicated by a relatively high "catch-up" coefficient (-.44), a decreasing standard deviation (from 67.79 in 1995 to 44.02 in 2007) and a decreasing coefficient of variation (from 0.93 to 0.65), is mainly driven by Denmark. Here the number of weeks was cut from the high duration of 7 to 4 years, resulting in in-group convergence within the Scandinavian regime type as well. Only half of the countries altered the duration between 1995 and 2007 at all, and if they did, no common trend appears. With respect to the variance within Europe, three clubs in line with the general orientation of the different welfare regimes occur: at the top are the Scandinavian countries with relatively high duration; the Southern and Bismarckian countries form the middle group, and the Anglo-Saxon and CEE countries are marked by strict eligibility criteria.

Figure 2. Duration of unemployment benefit payments (by regime type), 1995-2007

The criterion of *waiting days* shows even less change. Only half of the 26 Europe-an countries have waiting days prior to the payment of benefits. Although the re-gression coefficient indicates a catch-up process (-.61), this is determined by Ireland "catching down" from 18 days in 1995 to 3 days. No clear patterns in Europe evolve, but it seems that countries with a relatively short qualification period introduced waiting days as a trade-off.
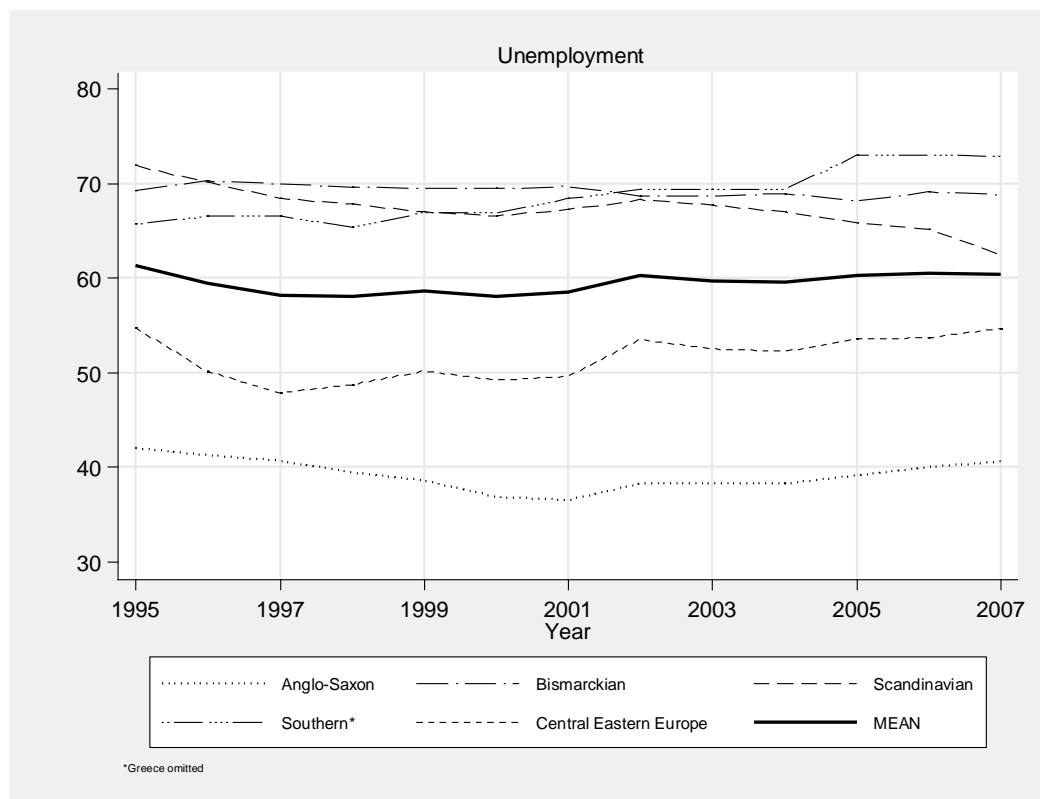
Eligibility criteria for receiving unemployment benefits thus remain fairly un-changed between 1995 and 2007 apart from singular reforms. Two trends can be observed, though: on the one hand, the qualification period is lengthened (and where it is short, waiting days are employed) and at the same time the duration of benefit payment is shortened. This means that employees have to participate at the labor market longer before qualifying for the full amount of unemployment benefit and if they get unemployed, they receive benefits for a shorter period. These trends clearly indicate that governments indeed engage in "re-commodification" (Pierson 2001a) since the mid-1990s.

Interestingly, while the average worker faces harsher eligibility criteria, there is no substantial decrease in the *level* of the unemployment benefits in terms of *re-placement rate* in the European countries (Table 3). Italy, Lithuania, Slovenia and the Netherlands show increasing levels of income replacement and in Estonia, the im-plementation of unemployment insurance which replaced the low flat-rate unem-ployment assistance in 2002 led to considerably higher replacement rates both for family and single cases. With the exception of Norway, all Scandinavian countries in contrast show declining levels of income replacement in case of unemployment.

Table 3. Unemployment replacement rates (by household type), 1995-2007

	Single (% of APWW)				Family (% of APWW)			
	1995	2000	2007	95-07	1995	2000	2007	95-07
Anglo-Saxon								
Ireland	33.30	29.19	34.48	1.18	63.83	52.88	61.86	-1.96
United Kingdom	20.96	19.03	16.86	-4.10	50.03	46.30	49.15	-0.87
Bismarckian								
Austria	56.00	55.00	55.00	-1.00	81.66	82.43	77.18	-4.47
Belgium	65.21	62.76	60.90	-4.31	61.37	58.96	56.49	-4.88
France	70.27	68.35	70.51	0.24	73.32	71.54	67.80	-5.51
Germany	60.00	60.00	60.00	0.00	68.87	71.26	71.22	2.35
Netherlands	63.75	72.27	70.46	6.71	66.98	77.19	77.53	10.55
Switzerland	77.93	72.88	74.11	-3.81	86.63	81.32	85.02	-1.61
Scandinavian								
Denmark	68.24	69.82	56.89	-11.35	69.53	64.92	57.61	-11.92
Finland	63.50	56.37	53.55	-9.95	73.54	66.58	62.91	-10.63
Norway	65.98	65.93	66.45	0.46	74.74	71.62	72.18	-2.56
Sweden	78.61	66.83	63.20	-15.41	81.25	70.78	67.41	-13.83
Southern European								
Greece[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	35.77	39.09	59.96	24.19	47.54	52.37	70.73	23.18
Portugal	79.22	79.01	77.56	-1.66	77.17	79.18	75.97	-1.19
Spain	75.60	73.58	74.65	-0.95	79.23	78.11	78.36	-0.88
Central Eastern European								
Bulgaria	60.00	56.17	51.71	-8.29	68.43	74.19	54.16	-14.27
Czech Republic	54.14	45.00	47.50	-6.64	64.75	52.62	53.53	-11.23
Estonia	13.80	13.31	50.02	36.22	22.84	20.13	60.74	37.90
Hungary	61.47	54.73	52.53	-8.94	70.05	57.73	62.61	-7.45
Latvia	99.15	72.46	72.73	-26.41	90.57	69.52	67.53	-23.04
Lithuania	33.45	30.28	52.97	19.52	33.45	30.28	51.88	18.43
Poland	37.90	28.28	25.49	-12.41	44.12	33.94	28.88	-15.23
Romania	55.80	55.80	58.28	2.48	60.99	63.12	66.65	5.66
Slovakia	68.56	58.50	63.79	-4.77	54.59	46.05	50.84	-3.75
Slovenia	41.85	51.48	56.21	14.36	59.09	70.85	66.36	7.27
Mean	57.62	54.24	57.03	-0.59	64.98	61.76	63.78	-1.20
Minimum	13.80	13.31	16.86	3.05	22.84	20.13	28.88	6.04
Maximum	99.15	79.01	77.56	-21.59	90.57	82.43	85.02	-5.55
Standard deviation	19.96	18.23	14.69	-5.27	16.12	16.55	12.00	-4.12
Coefficient of variation	0.35	0.34	0.26	-0.09	0.25	0.27	0.19	-0.06
"Catch-up" (β-coefficient)				-0.44				-0.56
Euclidian distance								
...to the top-3	170.93	137.51	116.83	-54.1	132.60	125.74	101.39	-31.21
...to the lowest-3	200.15	192.20	172.81	-27.34	176.26	186.72	119.59	-56.67

[1] We do not have the data for Greece. Statistical measures hence do not include Greece.

Figure 3. Unemployment benefit average replacement rates (by regime type), 1995-2007

The average replacement rate in Europe in the period 1995 to 2007 remains fairly stable at around 60 percent. In addition, there is a double catch-up leading to convergence in unemployment replacement rates in Europe (Figure 3). The Anglo-Saxon regime shows a decreasing trend driven by the UK. While the replacement rate in Ireland increases, employees in the UK – already one of the lowest rates in Europe – receive proportionally even less since 1995, resulting in in-group divergence. Compared to the rest of Europe, the continental, Bismarckian countries show the least changes in the levels of unemployment replacement rates. In the Scandinavian countries – as with minimum pensions – initially high levels of income replacement have been decreasing. The replacement rate in Norway has decreased to a lesser extent, though, which has led to in-group divergence. With the exception of the rudimentary Polish replacement rate, which is at the level of the UK, the replacement rates in all CEE countries have increased and these countries thus strove for the middle. Only in Latvia the rate was decreasing from high above average towards the mean (i.e. a double "catch-up" *and* "catch-down" within the CEE countries resulting in less in-group variance). In the Southern European countries, unemployment benefit replacement rates increase and at the end of our observation period, the mean of the Southern group is the highest of the sample. This is due to a remarkable catch-up by Italy, leading to in-group convergence.

As indicated by the coefficient of variation, the decreasing range and standard deviation, European unemployment replacement rates do indeed show signs of convergence. This convergent trend is supported, when looking at the level of the replacement rates for the two household types. The cross-country variance among single replacement rates shows less outliers and is more evenly distributed compared to the replacement rates for families, again suggesting that the taxation of

benefits and especially tax benefits for families play an important role as an instrument of social policy. Furthermore, as with minimum pensions, both are affected by reforms in a similar manner: if governments cut replacement rates, both types lose benefits, whereas families profit more if governments engage in raising standards. While all measures indicate both σ- as well as β-convergence, the rank correlation coefficient Kendall's tau = .56 (significant at the 0.01 level) for 1995-2007 suggests a relatively stable rank order, i.e. very few countries changed their ranks. This does not stand against the convergent trend, but shows that the mobility in the sample is low.

In a last step we turn our attention more directly to the question, whether there are clear signs of a race to the bottom or a race to the top. While the mean already suggested a slight upwards movement, the distance to the three worst-performing countries has decreased as expressed by the Euclidian distance. At the same time, the convergent trend leads to reduction of the distance to the three best-performing countries. This implies a trend toward the middle. Compared with each other, the sample however is closer to the best-performing countries than to the lowest three.

Unemployment benefits thus show tendencies of convergence across the European countries, the trend of eligibility criteria being tightening, but at the same time the level of benefits increasing. Only the Scandinavian countries witness decreasing levels of income replacement in case of unemployment.
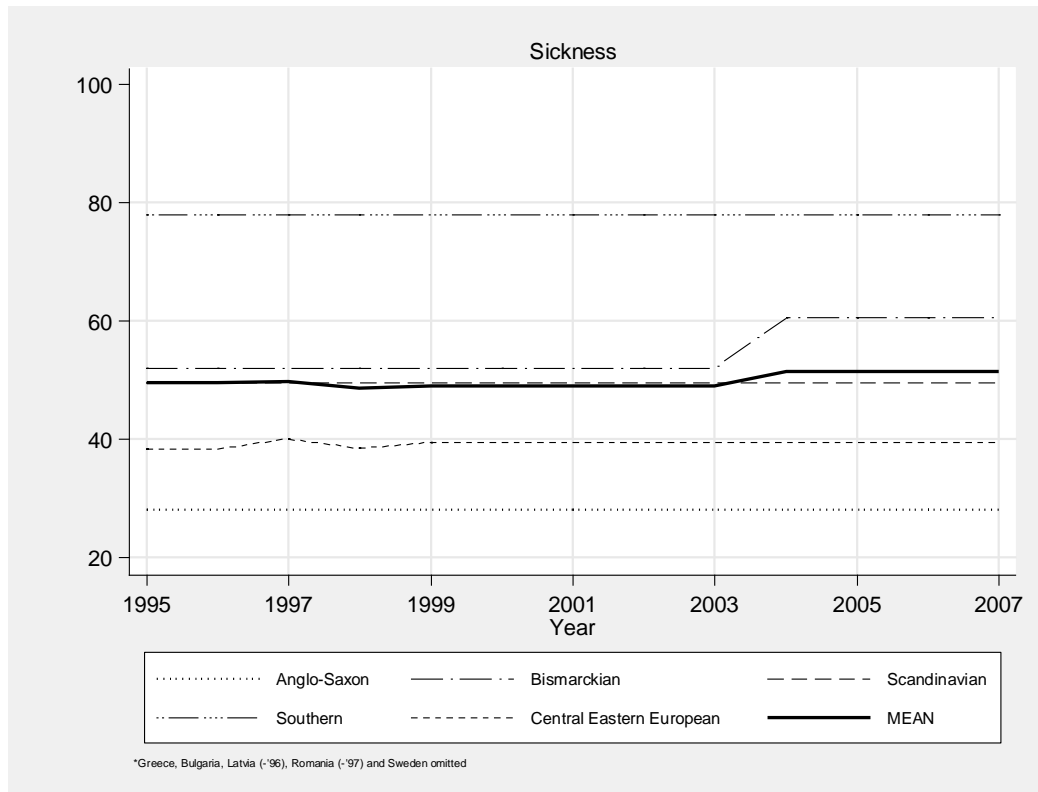
4.3 Sickness benefits

The eligibility criteria for sickness benefits show considerable stability and virtually no signs of either convergence or divergence in the period of analysis. Only eleven of the 26 countries do have a qualification period at all, ranging from about one month of employment in Denmark and Norway to the maximum of one year in France. Interestingly, there are almost no differences between the regimes. If anything, the Bismarckian (Belgium, France and Switzerland) and the Southern European (Portugal and Spain) regime show a tendency to require a longer qualification period. All descriptive measures indicate persistence, though. This stability is supported by the fact that only four countries changed the rules between 1995 and 2007: Ireland (from 39 to 52 weeks), Norway (from 14 days to 4 weeks) and Bulgaria (from 13 to 26 weeks) tightened the qualification criterion, whereas Romania reduced the period 26 weeks to one month.

With respect to the duration of payments a slight increase is observable (the average rose from 49.54 to 51.34 weeks) but this is only driven by the Netherlands, which extended the duration from one to two years. Again, as is apparent in Figure 4 and the stable descriptive measures, persistence and stability shape the perception. The Southern European regime has the highest duration, but only because Portugal pays sickness cash benefits up to three years, whereas Italy only pays for half a year and Spain for one year. Likewise, all other countries lie in-between this range, the only exemption being Lithuania (four months). On the other hand, Ireland, Sweden, Bulgaria, Latvia (until 1996) and Romania (until 1997) have no limitation. Taking this wide range into account no common picture appears, which would equal the commonly known regime types.

The criterion of waiting days shows even less changes. As with unemployment benefits, only 12 of the 26 European welfare states require waiting days at all. Interestingly, there is no correlation, i.e. some countries which have waiting days for unemployed do not demand waiting days in case of sickness, and vice versa. All Southern European countries together with Ireland and the UK, Austria, Belgium, France, Hungary and Latvia have one or three waiting days, but no country changed its rules between 1995 and 2007. Finland is the only outlier, because a sick person needs to wait nine days before benefit is paid.

Figure 4. Duration of sickness benefit payments (by regime type), 1995-2007

*Greece, Bulgaria, Latvia (-'96), Romania (-'97) and Sweden omitted

With respect to the eligibility criteria neither convergence nor divergence is observable in the European welfare states between 1995 and 2007. Instead, differences between countries persist. In addition, given the wide range of eligibility rules both within and across regime types, the regime approach fails to detect any meaningful differences. This may indicate that despite the underlying foundations and principles of the welfare regimes, sickness is seen as a general threat to everyone, so that relatively relaxed or even no qualifying conditions at all are required.

However, looking at the level of cash benefits, a clear distinction between the Anglo-Saxon countries Ireland and UK, i.e. the liberal welfare regime, and the remaining European countries is observable. While the replacement rates in Ireland and UK remain at a very low level below 40 percent, all other countries seem to stay in a stable equilibrium round about 80 percent. Families in Ireland are better off than singles, but in the UK signs of retrenchment already apparent in the area of unemployment benefits are observable for sickness benefits, too. Apart from Norway, the Scandinavian countries retrenched their schemes to a considerable degree

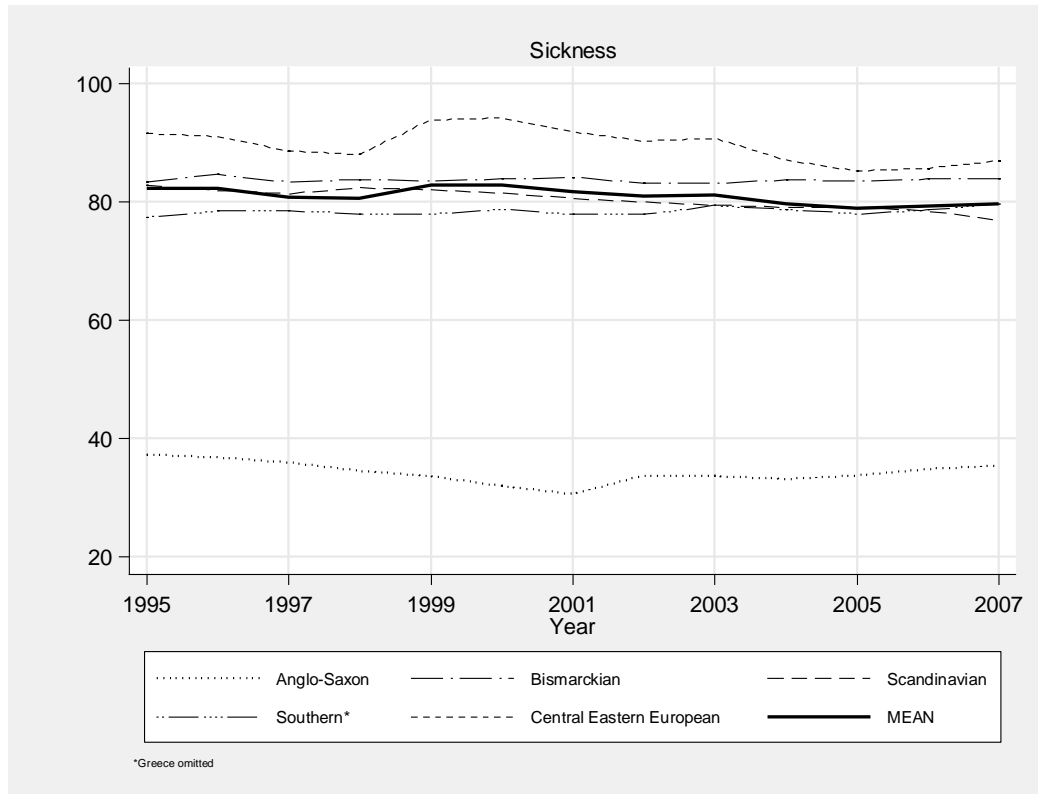of ca. 8 percentage points – a development already noted for minimum pension and for unemployment benefits.

Table 4. Sickness replacement rates (by household type), 1995-2007

	Single (in %)				*Family (in %)*			
	1995	*2000*	*2007*	*95-07*	*1995*	*2000*	*2007*	*95-07*
Anglo-Saxon								
Ireland	32.50	27.68	34.48	1.98	62.72	50.41	61.85	-0.87
United Kingdom	24.21	22.04	20.55	-3.66	29.64	27.50	24.67	-4.97
Bismarckian								
Austria	82.19	82.83	88.89	6.70	93.65	94.08	92.08	-1.57
Belgium	86.24	87.11	85.33	-0.90	85.80	90.99	88.56	2.76
France	65.51	62.72	63.47	-2.04	66.66	64.20	61.71	-4.95
Germany	87.25	83.59	87.78	0.53	96.89	85.87	86.10	-10.79
Netherlands	66.81	75.57	75.13	8.32	70.62	80.02	78.41	7.79
Switzerland	100.00	100.00	100.00	0.00	100.00	100.00	100.00	0.00
Scandinavian								
Denmark	65.92	63.81	59.08	-6.83	67.98	66.57	59.22	-8.76
Finland	77.24	72.53	67.88	-9.37	79.65	75.90	71.05	-8.60
Norway	100.00	100.00	100.00	0.00	100.00	100.00	100.00	0.00
Sweden	85.07	85.60	77.47	-7.60	86.91	87.32	80.05	-6.86
Southern Europe								
Greece[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	71.13	72.74	72.70	1.57	78.68	83.73	83.84	5.16
Portugal	79.22	79.01	80.54	1.32	77.17	79.18	78.59	1.43
Spain	75.68	77.60	81.78	6.09	83.00	80.30	80.58	-2.42
Central Eastern Europe								
Bulgaria	100.00	94.91	93.44	-6.56	108.43	109.53	80.80	-27.63
Czech Republic	83.45	84.84	80.61	-2.84	76.02	70.53	71.86	-4.16
Estonia	78.74	81.38	89.50	10.75	81.49	82.02	91.05	9.55
Hungary	76.60	90.34	94.29	17.69	81.82	85.36	100.25	18.43
Latvia	102.84	88.53	88.41	-14.43	107.23	90.29	90.16	-17.07
Lithuania	97.35	97.36	86.51	-10.84	97.35	97.36	83.37	-13.97
Poland	80.34	97.27	93.72	13.39	76.11	92.29	90.90	14.79
Romania	113.40	122.71	104.14	-9.26	90.37	114.46	109.24	18.87
Slovakia	89.67	89.67	54.51	-35.16	91.95	91.49	57.22	-34.72
Slovenia	83.52	87.98	91.51	7.99	116.37	117.19	88.55	-27.82
Mean	80.20	81.11	78.87	-1.33	84.26	84.66	80.40	-3.86
Minimum	24.21	22.04	20.55	-3.66	29.64	27.50	24.67	-4.97
Maximum	113.40	122.71	104.14	-9.26	116.37	117.19	109.24	-7.13
Standard deviation	19.84	21.09	20.03	0.19	17.82	19.38	17.78	-0.04
Coefficient of variation	0.25	0.26	0.25	0.01	0.21	0.23	0.22	0.01
"Catch-up" (β-coefficient)				-0.13				-0.29
Euclidian distance								
...to the top-3	159.19	167.84	149.32	-9.87	158.32	173.57	143.30	-15.02
...to the lowest-3	219.92	241.38	233.10	13.18	178.99	209.23	188.20	9.21

1 Data for Greece is missing. Statistical measures hence do not include Greece.

The sharpest decline occurs in Slovakia: a large-scale social security reform in 2003 led to a decrease in sickness benefit replacement rates from around 90 percent to 55 percent. On the other hand, other countries like Estonia, Hungary, and Poland show an increasing trend. Especially the Southern European countries pay slightly higher benefits in 2007 than in the mid-1990s. However, no general trend towards a common "European model" is observable, nor do the Euclidian distances to the top group and the lowest three show signs of a "race to the bottom" or "to the top".

Figure 5: Sickness benefit average replacement rates (by regime type), 1995-2007

The negative regression coefficients capture the "catch-down" processes underway in many countries with initially (very) high levels of replacement rates. Apart from that, the descriptive measures, however, do not provide evidence for convergence or divergence, instead they suggest persistence. Even within the different regime types no uniform trend can be observed. While Bismarckian countries remain relatively unchanged, the Central and Eastern European countries show some volatility throughout the 1990s and early 2000s, which may indicate the (still) developing character of the welfare state in this area. However, compared to the other areas of income maintenance, sickness seems to be the least contested area of welfare provision in the European welfare states.

Summing up the results, partial convergence occurs in all fields of welfare entitlements under examination here, but the direction is not uniform, differences between the welfare regimes remain and convergence clubs occur. Table 5 summarizes our key findings:

Table 5. Key findings convergence of welfare policy institutions, 1995-2007

	Type of convergence			
	Sigma (σ)	*Beta (β)*	*Gamma (γ)*	*Delta (δ)*
Minimum pensions	Not at the general level, but dual split ("old" member states vs. CEE), i.e. convergence clubs	Yes: double catch-up, i.e. laggards (except for CEE) move up, but forerunners move down	Modest changes in ranking order	No: neither a race to the bottom nor to the top
Unemployment benefits	Yes: both at the most general level, as well as within regimes	Yes: laggards catching up, especially CEE countries	Fairly stable ranking order suggests low mobility	Yes: decreasing distance to top indicates a slight race to the top
Sickness benefits	No: stable equilibrium; UK and Ireland distinct from other countries	Yes: catch-down of countries with initially high levels	Stable rank order supports notion of stability	No: neither a race to the bottom nor to the top

5 Conclusions

Several international and domestic developments, such as increasing economic competition, intensified interaction across states and international actors, integration of the post-socialist countries of the CEE in the EU along with similar demographic pressures, hypothetically suggest convergence of welfare policies in the enlarged European Union. While the dynamics of welfare policy institutions in the area of minimum pensions and unemployment and sickness benefits indeed witness some convergence, a common fear that the enlargement of the EU would have resulted in a race to the bottom is misplaced. If there is a race in any direction at all, we can observe a slight trend towards the middle among the established Western European welfare states, whereas the transitional welfare states in CEE can be found at the lower end of the scale or even show decreasing levels of generosity. Not surprisingly, given the emerging character of the post-socialist welfare states and their particularly narrow economic leeway, their welfare institutions are most volatile compared with the rest of the European countries. Reversely, our results also indicate that path dependency seems to play an important role in the mature welfare states, forcing policy makers to opt for incremental reform only.

Three implications are especially interesting with regard to our findings: First, while we have treated the CEE countries as one single group in our analyses comparing the institutional dynamics in different welfare regimes, there are significant differences and differing directions of development within the CEE country group. In line with some of the recent studies, this seems to suggest a diversification of welfare policy arrangements rather than the emergence of a single Eastern European welfare model (Inglot 2008; Cerami and Vanhuysse 2009; Kuitto 2011). This together with the rather marginal convergence of welfare institutions across the established welfare states contradicts predictions of a "European Social Model" emerging at least with respect to the institutional features (cf. also Montanari *et al.* 2008).

Welfare policy convergence in the enlarged Europe seems partial and program-specific. This also means that the international and domestic stimuli which are said to result in welfare policy convergence impact different domains of welfare policies in differing ways.

Second, in line with previous studies our results show that social rights are subject to retrenchment by either tightening eligibility criteria or cutting replacement rates (e.g. Kangas 2004; Montanari 1995, 2001; Montanari *et al.* 2007, 2008). In contrast to earlier studies, however, we do not witness a general downward trend in unemployment generosity, but rather stability or even raising standards in former laggard countries. Together with funding structures, welfare entitlements show considerably clearer convergent tendencies than the level or structure of social expenditure (Jahn *et al.* 2011). This is surprising, since, as has been argued among others by Palme *et al.* (2009) and Pierson (2001b), institutions are generally considered more static while changes in spending levels or spending emphasis on different welfare programs are far easier to accomplish.

Finally, it seems that the generous Scandinavian regime is the one most concerned with recalibration. The Scandinavian countries have witnessed a downward trend in terms of generosity of income replacement, but also in terms of social expenditure especially in the latest years. Additionally, there is considerable movement in the funding structure away from taxes and towards a growing importance of contributions (Jahn *et al.* 2011). Another interesting trend regards the Southern European cluster; in every dimension this former laggard group catches up to the previous forerunners, thereby raising social standards and generosity of benefits.

While it is too early to draw conclusions about the dynamics of welfare policy arrangements in the enlarged Europe in general given that we are still lacking data on further important fields of social security (standard pensions and parental leave benefits) and for more diversified household types. However, at this stage our preliminary results suggest that the diversity of welfare policy patterns in Europe *and* in the temporal development of welfare policy is still evident. The mixed evidence of welfare policy convergence in the enlarged EU calls for analysis of the causal mechanisms operating in the different fields of welfare policy as well as for inclusion of different indicators of welfare policy.

Acknowledgements

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