National Populists Against the Welfare State? Party Competition and Welfare Reform in Switzerland and Austria

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Abstract

This paper analyses the influence of populist radical right parties on corporatism and welfare reform in Switzerland and Austria. In both countries, traditional patterns of party competition have been challenged by the emergence of strong radical right populist parties advocating radical welfare retrenchment. The article argues that this phenomenon has impacted on corporatism and welfare reform by increasing the potential size of retrenchment policy coalitions, by increasing party polarisation, and by changing opportunities for coalitional politics. First, the emergence of the radical right has induced more polarization in the party system by pushing centre-right parties further to the right, and made it more difficult to find corporatist compromises at the centre of the political spectrum. In this context, the extent and shape of welfare retrenchment has depended upon the strategies pursued by centre-right parties: corporatism has been marginalised when they have coalesced with the radical right, whereas it has been insulated when the centre-right stuck with Social Democrats. In this latter configuration, social partners could act as policy brokers between polarised parties because of their strongly institutionalised patterns of cooperation.

Introduction

One of the most important evolutions in West European party systems over the last 20 years has probably been the emergence of populist radical right parties (PRRPs) (Bornschier 2010; Kitschelt & McGann 1995; Mudde 2007; Norris 2005). Parties advocating the limitation of immigration, a tough stance on law and order policies and denouncing the “collusion” of traditional political elites have gained substantial electoral and parliamentary power in many countries. This has been especially the case in political systems which have traditionally displayed “consensual” features, such as the Netherlands, Austria, Norway, Denmark, Austria or Switzerland. In Switzerland, the SVP (Schweizerische Volkspartei) has become the largest party in Parliament with about 31% of seats in the 2007 national elections, and is represented in the seven-member executive. In Austria, the FPÖ (Freiheitspartei Österreich) and the Bündnis Zukunft Österreich together have similarly gained 30% of seats in the election held in 2008, the FPÖ having participated in government between 2000 and 2006 together with the Conservative ÖVP. In the Netherlands, the Liberal VVD and the Christian-Democratic CDA formed a minority government over the summer 2010 with the support of Geert Wilders’ radical populist PVV.

If existing research has delved substantially into the ideology of these parties (Mudde 2002, 2007), their electorate (Kitschelt & McGann 1995; Oesch 2008) and to a lesser extent their impact on national party systems (Norris 2005), there have been very few studies on their impact on policymaking, and more specifically on social policymaking. This article takes issues with this by analysing the impact of radical right populist parties on welfare reform in Austria and Switzerland, two countries where these parties have both constituted strong parliamentary forces and held ministerial positions in Government. The paper has three main claims. First, the emergence of radical populist right parties has
enabled pro-retrenchment policy coalitions by increasing the size of the right-wing block. Second, by constituting a strong electoral competitor on the right of centre-right parties, radical-right parties have contributed to the polarisation of party systems by pushing centre-right parties further to the right, and have made it more difficult to find corporatist compromises at the centre of the political spectrum over issues of welfare reform. Third, in this context, the characteristics of welfare state change have come to depend on the alliance strategy pursued by centre-right parties vis-à-vis the radical right. When centre-right parties have coalesced with the radical right, it led to substantial welfare retrenchment through a marginalisation of social partners in decision-making. When centre-right parties decided to coalesce with social-democrats, this led to a new role of organised interests as “policy brokers” in policymaking because they were better able to find compromises than weakened and polarised mainstream parties which are subject to centrifugal dynamics.

The article is structured as follows. The first section outlines the context of emergence of radical-right parties in consociational democracies and their relationship to welfare policies. The second section makes theoretical propositions to analyse the role of radical populist parties in welfare reform, namely their role in the changing context of party competition and coalitional politics. These claims are then tested empirically in the light of developments in labour market and pension reforms in Austria and Switzerland between 1999 and 2009.

**Radical Right Parties and Welfare Policies**

Radical-right populist parties have emerged as a significant electoral and parliamentary force in Western Europe since the mid-1980s. From under 6% in 1987, the mean vote for radical right parties in Italy, Austria, Switzerland, Denmark, Norway, Belgium and France had reached 16% in 2001 (Norris 2005: 8). Even if a wide variety of definitions have been used to define the “radical populist party family”, Mudde (2007) has described them as parties displaying a combination of populism, nativism and authoritarianism at the core of their ideologies. Populism refers to an anti-establishment political discourse which draws a line between the parties themselves representing the “people” on the one hand and the political establishment or the “elites” on the other (Bornschier 2010: 35; Mudde 2004). Nativism “holds that states should be inhabited exclusively by members of the native group (‘the nation’) and that non-native elements (persons and ideas) are fundamentally threatening to the homogenous nation-state” (Mudde 2007: 19). Finally, authoritarianism refers to an ideology advocating a tough stance on issues of law and order, and possibly to a hierarchical form of party organisation which contrasts with the pluralist organisation of other parties (Bornschier 2010: 35).

Even if the emergence of right-wing populism has been traced back to a new “cultural” cleavage between “authoritarian” and “libertarian” values emerging in the 1970s (Kitschelt & McGann 1995), or to a new pervasive cleavage between “winners” and “losers” of globalization (Kriesi et al. 2008) common to all advanced industrial democracies, radical right populist parties have not been successful everywhere. Papadopoulos (2005) rightly points out that these parties found a particularly fertile ground in so-called “negotiation” or consociational democracies characterised by frequent oversized cabinets and corporatist systems of decision-making (Lijphart & Crepaz 1991). This notably includes countries such as Switzerland (with the Schweizerische Volkspartei), Austria (the Freiheitspartei Österreich), the Netherlands (with the Lijst Pim Fortuyn, and then Geert Wilders’ PVV) or Denmark (with the Progress Party, and then the Dansk Folkeparti). Besides the fact that proportional electoral systems obviously make it easier for “outsider” parties to make their
way into Parliament, negotiation democracies characterised by oversized multi-party cabinets on the one hand, and a neo-corporatist system of interest intermediation on the other are also more prone to populist critique. Since actual decision-making entails a great deal of negotiations and compromise-building between ruling parties on the one hand, and between peak associations of labour and capital on the other, populist denunciations of the "cartel of elites" were a particularly fruitful strategy for radical right parties. On the one hand, the proportional electoral system that underpins consociation democracies entails a great deal of stability, power-sharing and little alternation. On the other hand, corporatism has often been criticised as a form of elitism because trade union and business elites are not accountable to lay citizens, and are often accused to defend their own vested interests.

The emergence and strengthening of RPP in countries with strong corporatist institutions, and therefore organised labour movements is particularly interesting because these parties have progressively conquered the traditional clientele of trade unions alongside small business owners for whom antistatism represented a significant appeal (Lubbers et al. 2002). Hence, surveys have shown that workers (white and blue collar) have become the core clientele of PRRPs in Austria, Belgium, Denmark, and Norway, whereas in Switzerland they are only surpassed by small business owners amongst SVP voters (Oesch 2008: 350). PRRP parties have hence been considered as a new type of working-class party over the last decade (Betz 2004: 12), whereas the policies they have been advocating have been radically different from those advocated by both trade unions and social-democratic parties, particularly in the realm of social policies.

In their analysis of party support for PRRPs in Western Europe, Kitschelt and McGann (1995: 19) argue that the “winning-formula” of PRRPs has been a combination of free-market liberalism and authoritarian positions which could appeal to both a working class feeling threatened by immigration on the one hand, and small business owners with antistatist leanings on the other hand. However, the idea that neoliberal economics is an integral part of the ideological programme of PRRPs has been challenged (De Lange 2007; Mudde 2007), notably because all PRRPs do not advocate free market policies, especially in Eastern Europe, and populist parties in France, Belgium and the Netherlands have adopted more centrist positions in recent years. Mudde argues for instance that the economic stance of PRRP is subordinated to its nativist and authoritarian policy agenda, and does not play a central role in its ideology. In many ways, however, there are some distinctive features in the ideology of PRRPs which apply in a fairly clear way to welfare reform, namely the idea that there should be a delimitation between “deserving” and “undeserving” welfare recipients. As Bale (2003: 75) notes,

"the composite ideology that emerges from numerous studies of far right parties is one that stresses a state which is heavy on law and order but light on taxation and red tape, a nation proud of its unique history and culture, a place where hard work and self-reliance are rewarded, a society in which the deserving (pensioners, women with children, and the working poor) are supported, but the undeserving (criminal or moral delinquents and scroungers) are punished, while immigrants (on the assumption they are both undeserving and culturally inassimilable) are excluded”.

This idea applies fairly well to understand the policy positions of populist radical right parties in the field of welfare reform. On the one hand, deserving small entrepreneurs should not be burdened with payroll taxes that weigh heavily upon their work, whereas fairly restrictive conditions of entitlement should be in place to forbid "undeserving" individuals to take advantage of the welfare system at the expense of hard-working people. Hence, in many countries the “authoritarian” position of PRRP has materialised in a workfare-oriented stance over issues of social assistance, such as benefit cuts for
jobseekers not willing to work, or a tightening in the conditions of entitlement for certain categories of workers. By contrast, populist radical right parties have often advocated the defence of basic old-age pensions because cuts are fairly unpopular amongst their whole electoral clientele. On the other side, free-market liberalism and welfare retrenchment offer “the tantalising prospect of weakening existing power arrangements in the continent’s various organised market economies with their cosy ties between mainstream political parties, labour market associations and economic elites” (Heinisch 2003: 96).

If a substantial body of research has been devoted to the ideology and positions of PRRPs, there have been very few works on their policy impact, especially in the field of social policy¹. In this article, I attempt to assess the impact of two populist radical right parties in welfare reform by emphasising not only their ideological position on welfare state reform, but most importantly their impact on party competition and neo-corporatism as central factors influencing welfare state reform (Green-Pedersen 2001). The core of my argument is that even if their policy stance has not been clear cut over issues of welfare retrenchment, they have nevertheless substantially modified the patterns of party competition and the context of coalitional politics in this policy field as well. In the following section, I outline a model to understand this impact. I emphasise the role of party competition and coalitional politics in welfare reform.

Party Competition, Coalitional Politics and Welfare Reform

While a great deal of scholarship on the welfare state has emphasised the role of institutions and policy feedbacks as strong barriers to both welfare state development and retrenchment (Bonoli 2000; Immergut 1992; Pierson 1994), a growing body of research has emphasised how parties and coalitional politics still matter to explain changes in welfare policies (Allan & Scruggs 2004; Häusermann 2010a). If Allan and Scruggs show that welfare retrenchment in Western democracies has been more substantial than commonly assumed, and that partisanship still plays a role in this process, Green-Pedersen (2002) shows for instance how different patterns of party competition influence welfare retrenchment. More precisely, he shows that the presence of a centre Christian-Democratic party has led to a stronger pattern of retrenchment in the Netherlands than in Denmark, where a “bloc” model of party competition prevailed. In many ways, the strengthening of populist radical right parties from the 1990s onwards has profoundly changed the general context of party competition and opportunities for policy coalitions across parties over issues of welfare policy. Populist radical parties can be new potential allies in coalition governments or support forces in specific reforms. In this section, I outline how they have altered party competition and how they have conferred a pivotal role to centre-right parties, with important consequences for welfare policies.

First, the increase in the electoral strength of PRRPs has substantially increased the potential size of right-wing party blocs in Parliament. By including the far right either as a coalition partner or as a support party, centre-right parties can retrieve votes that were either wasted in abstention or went to the social democrats, given the working-class voter base of PRRP mentioned earlier (Bale 2003: 69). This gives an obvious advantage to right-wing party coalitions with all its implications for welfare retrenchment policies. Second, the competition from PRRPs has pushed centre-right parties further to the right, thereby

¹ Swank and Betz (2003) analyse the relationship between welfare and right-wing populism the other way round, that is, they seek to assess if the welfare state tempers support for right-wing populist parties.
accelerating the centrifugal tendencies of party systems (Bale 2003). Whilst PRRPs can be useful to centre-right parties as a catalyzer for voters that otherwise would not vote for right-wing parties, they also constitute electoral competitors. In reaction to this, centre-right parties all over Europe have sought to move ideologically towards the right by integrating the core themes of radical right parties in their party platforms (“contamination”) (Norris 2005). Hence, the ideological distance between centre-left and centre-right parties can be believed to increase substantially. In this context, centre-right parties are conferred a pivotal role because they can either choose to coalesce with social democrats usually in a grand coalition, or with populist radical right parties in a simple majority right-wing coalition. Whereas early PRRPs largely appeared as pariahs with which coalition governments were ruled out, this has changed substantially over the last decades with right-wing coalitions between centre-right and radical populist parties emerging in many countries. By contrast, coalitions between social democrats and radical populist parties in Western Europe are a much less likely possibility, even if Social Democrats as well have had to re-position themselves towards the far right (Bale et al. 2010).

Second, if centre-right parties opt for cooperating with social democrats in grand coalitions while still seeking to cover the ideological space invested by PRRPs, the emergence of a consensus over welfare reform is likely to be problematic because the ideological distance between coalition partners may be too big. The more far away from one another the ideal policy positions of ruling parties are, the more difficult it is to find an acceptable solution for both parties. This situation, in general, favours the status quo and incremental change, unless a “policy broker” comes into play to mediate diverging positions and possibly build “modernising compromises” comprising both elements of retrenchment and modernisation. Trade unions and employers are usual suspects to play this role as brokers, because these actors are not subjected to the centrifugal tendencies implied by populist electoral pressures. By contrast, if centre-right parties choose to coalesce with the radical right, retrenchment can be believed to be more substantial, and corporatism as a mode of compromise-building is likely to be marginalised. This strategy seems to be more efficient for centre-right parties as policy-seekers because PRRP are generally closer to their position than social democrats. Bale (2003: 75) for instance argues that differences between mainstream and radial right parties are generally more a matter of degree rather than kind.

Drawing upon this, two distinct theoretical propositions can be made with regard to the impact of populist radical right parties on welfare reform, and on corporatism. First, centre-right parties will adopt a more right-wing stance on welfare reform as a reaction to the electoral competition from populist radical right parties. Second, the actual extent and shape of welfare retrenchment will depend upon the strategy pursued by centre-right parties. If they coalesce with populist radical right parties, retrenchment will be substantial and corporatism will be marginalised. By contrast, if they coalesce with social democrats, retrenchment will be limited or even combined with welfare expansion in the form of “modernising compromises”, and corporatism will come to play a substantial role as a way to find compromises on welfare reform.

Cases and Methods

The empirical section of this paper analyses development in labour market and pensions policy in Austria and Switzerland between the early 1990s and 2009. On the one hand, as noted by McGann and Kitschelt (2005), Austria and Switzerland are prime cases for the
analysis of the rise of the populist radical right in Western Europe. They are the only West European countries where the far right has outvoted its centre-right counterparts, and in many respects, they provide useful information on the potential influence the rise of the radical right is susceptible to have elsewhere (2005: 148). On the other hand, they have also typically presented the features of negotiation democracies with oversized coalition Governments, institutionalised systems of corporatist policymaking in social policy, and a well-developed Bismarckian welfare state.

In Switzerland, the SVP has first outvoted the liberal FDP by 3% in 1999, and the gap in subsequent elections has constantly increased, reaching 13.1 percent in 2007. The SVP is now by far the biggest Swiss party in electoral terms, with 28.9 percent, far above the Social democrats with 19.5 percent. Centre-right parties have faced substantial losses in recent years. The vote share of the liberal FDP has declined from 20% in 1995 to 15.8 in 2007. The FDP and the Christian-Democrat CVP together now represent about 30% of voters in the 2007 elections, that is roughly the same as the SVP alone. Even if the FDP and the CVP remain overrepresented in the Upper Chamber, which has equal powers, they have been significantly weakened. In Austria, similar developments could be observed. Even if the FPÖ has only outvoted the conservative ÖVP once (in 1999, by about a hundred votes) and has never managed to reach such a high score again in subsequent elections, particularly after an internal split that gave birth to the BZÖ, it has remained amongst the most successful PRRPs in Western Europe. Similarly to Switzerland, the two major Austrian parties, the social-democratic SPÖ and the conservative ÖVP have been substantially weakened in recent decades, now representing together only slightly more than 50% of the electorate, with 29 and 25% in the latest 2008 elections, against 17 and 10% for the FPÖ and the BZÖ respectively. Hence, in both countries a significant right-wing populist party force has emerged alongside centre-right and social-democratic party blocs, weakening the mainstream parties quite substantially. (Table 1)

Table 1 : Share of Party Seats in Parliament, Austria and Switzerland, 1986-2008²

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<thead>
<tr>
<th>Switzerland</th>
<th>Nationalrat</th>
<th>87-91</th>
<th>91-95</th>
<th>95-99</th>
<th>99-03</th>
<th>03-07</th>
<th>07-11</th>
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<tbody>
<tr>
<td>FDP</td>
<td>26%</td>
<td>22%</td>
<td>23%</td>
<td>22%</td>
<td>18%</td>
<td>16%</td>
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<tr>
<td>CVP</td>
<td>21%</td>
<td>18%</td>
<td>17%</td>
<td>18%</td>
<td>14%</td>
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<tr>
<td>SPS</td>
<td>21%</td>
<td>21%</td>
<td>27%</td>
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<td>26%</td>
<td>22%</td>
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<tr>
<td>SVP</td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
<td>22%</td>
<td>28%</td>
<td>31%</td>
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<tr>
<th>Ständerat</th>
<th>87-91</th>
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<th>99-03</th>
<th>03-07</th>
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<tr>
<td>CVP</td>
<td>41%</td>
<td>35%</td>
<td>35%</td>
<td>33%</td>
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<tr>
<td>FDP</td>
<td>30%</td>
<td>39%</td>
<td>37%</td>
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<td>SP</td>
<td>11%</td>
<td>7%</td>
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<td>20%</td>
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<tr>
<td>SVP</td>
<td>9%</td>
<td>9%</td>
<td>11%</td>
<td>15%</td>
<td>17%</td>
<td>15%</td>
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² The Nationalrat (lower Chamber) and the Ständerat (Upper Chamber) in Switzerland have equal powers. The acronyms are FDP (Freisinnige Partei der Schweiz, liberal right), CVP (Christliche Volkspartei der Schweiz, christian-democrat), SPS (Sozialdemokratische Partei der Schweiz, social-democrat), SVP (Schweizerische Volkspartei, radical right). In Austria, SPÖ (Sozialdemokratische Partei Österreich, social democrat), ÖVP (Österreichische Volkspartei, conservative) and FPÖ (Freiheitspartei Österreich, radical right). For the period 06-08 we have added the score of the BZÖ (Bündnis Zukunft Österreich) to the FPÖ, as it resulted from a split in the FPÖ.
In both countries, one could also observe different configurations of the alliances outlined above during the period under scrutiny, so that the impact of different political alliances on welfare reforms can be assessed and compared. In Austria, a coalition between the ÖVP and the FPÖ ruled between 2000 and 2006 with the SPÖ in opposition, before a return to a grand coalition between the ÖVP and the SPÖ from 2006 onwards. In Switzerland, all major parties (with the exception of the Greens) have continuously been represented in the federal Government, with a change in 2003 when the SVP gained a second seat in the 7-member Federal Council. However, because the Government is elected by Parliament but is not dependent on it like in a presidential system, majorities in parliament are generally built up issue by issue in a similar fashion as what one could observe in the US house of representatives, so that there are centre-right/populist, centre-right/social democratic and – more rarely radical populist/social democratic majority coalitions in different issues.

Finally both countries have relatively similar setups in their welfare state to the extent that they both belong to the Bismarckian welfare family, although Switzerland has been a latecomer in that respect (Afonso & Mach 2011; Häusermann 2010b; Obinger & Talos 2010). In both countries as well, corporatist policymaking has played a central role in the reforms of the welfare state. Extensive negotiations between peak employer and worker organizations have traditionally been a necessary premise to any reform of the welfare state, and political parties have often been described as playing a secondary role. In virtue of strong coordination mechanisms between organised interests and parties, parliaments in these countries were traditionally considered as mere “rubber stamps” for decisions which were taken in corporatist arenas (Pelinka 2008; Sciarini 2006). In the empirical section, I provide evidence on the relationship between national populist parties and that particular pattern of policymaking as well. The analysis is based on extensive analysis of parliamentary debates, the press, and a number of interviews carried out between March 2007 and October 2008 with MPs, trade union and employer association officials, and public servants.

**Switzerland: From Modernising Compromises to Adversarial Retrenchment**

_Veto Points and Consensual Social Policymaking_

Consensual policymaking has been considered to be a central feature of welfare reform in the belated extension of the Swiss welfare state (Armingeon 1997, 2003). Even if the major social schemes emerged much later than in most other European countries (Immergut 1992; Obinger 1998), they were mostly the result of broad – but often minimal – compromises between major political forces. Many authors have extensively emphasised the incentives for concertation provided by the Swiss complex institutional structure, notably federalism which requires a constitutional amendment to any transfer of competences from the cantons to the federal state, and most importantly direct democracy, which allows any law passed in Parliament to be challenged in a popular referendum. Another powerful brake to welfare expansion was the dominance of bourgeois parties in
parliament and the strong organisation of business contrasting with a particularly weak labour movement (Afonso & Mach 2011; Trampusch & Mach 2011). In this context, welfare expansion could only be achieved through extensive compromise-building and along business-friendly lines.

As examples of this slow and delayed expansion, a compulsory old-age pension scheme was only introduced in 1948, 23 years after the constitutional amendment providing for it was passed in Parliament. Similarly, a nationwide and compulsory unemployment scheme was only introduced in the aftermath of the sudden economic crisis of the mid-1970s, even if the decision-making process leading to its establishment was substantially swifter. The project was backed by both trade unions and employers, the Parliament accepted it without modifications, and it was then accepted in a popular vote in June 1976 (Kriesi 1980: 211). The unemployment scheme was devised so as to minimise the tax wedge, with low contribution rates. This would function fairly well during the 1980s, because unemployment remained below 1% notably due its externalisation of foreign workers and women (Piotet 1987; Schmidt 1985). It must be mentioned that the SVP was already taking part in Government during this period of construction of the welfare state. However, it only took its truly radical populist and neoliberal orientation at the turn of the 1990s, when a new party elite led by Christoph Blocher emerged.

Modernising Compromises in an Era of Austerity

In the beginning of the 1990s, the emergence of a period of enduring economic stagnation substantially modified the context in which welfare reform was taking place. Unemployment increased to unseen levels due to an enduring situation of economic stagnation, and the system of funding of the unemployment insurance scheme proved unable to cope with this. For six consecutive years, growth rates were lower than 1%. Between 1990 and 1997, the number of unemployed increased from 18'000 to 190'000, reaching 5.2% of the workforce (Bertozzi et al. 2005: 70). Even though this may appear relatively low by international standards, it still sufficed to cause great political concern because the unemployment insurance system became very quickly underfunded and soon accumulated a great amount of debts. Despite more acute distributional conflicts, however, compromises could still be found mainly between centre-right parties and social democrats by combining cost-containment on the one hand and activation or “re-calibration” on the other, for instance in favour of gender equality. Most of those deals were struck between social democrats and centre-right parties, as social partners underwent difficulties in finding compromises over issues involving new social needs and demands (Häusermann et al. 2004).

In the area of unemployment policy, the aim of policy reforms was to cope with dramatically increasing deficits: 470 mio Swiss francs in 1991, then 2.5 billion in 1992. Payroll contributions proved insufficient, and general tax money had to be added by the federal state (Bertozzi et al. 2005: 75). An emergency decree adopted in 1993 provided for the increase in the maximum duration of allowances to cope with the rise of long-term unemployment, but also for a reduction in the statutory replacement rate from 80 to 70 percent. This decree was opposed by both unions and employers in the subsequent

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3 This was done after a first project initiated in 1969 had reached a stalemate in 1972. Employers and right-wing parties, thought that such a project was not necessary, whereas trade unions opposed the creation of a centralised scheme and wanted to keep their own corporatist unemployment compensation funds (Kriesi 1980: 210). When the economic recession of the mid-1970s hit the Swiss economy, however, the project was resumed and agreed swiftly through extensive concertation during the summer of 1974 (Kriesi 1980: 210).
popular vote, the former rejecting the reduction of benefits and the latter demanding stronger cuts (Häusermann et al. 2004: 43). Despite this, the emergency decree was accepted by a large majority of voters. In the revision of the law on unemployment insurance that would follow in 1995 (Deuxième révision de la loi sur l’assurance chomage), social partners were not able to find a compromise either on the issues of funding and benefits. In this context, the Swiss Parliament played a pivotal role in striking a balanced deal that social partners had been unable to agree upon (Häusermann et al. 2004). The parliamentary committee of the Lower Chamber brought social partners back to the negotiation table and reoriented the reform towards an activation agenda, which could be supported by both sides. This notably included the setup of a structure of regional employment services, and the massive development of activation measures with a corresponding increase in funding (Bertozi et al. 2005). Centre-right parties and employers saw it as a more effective tool to control the unemployed and prevent potential abuse, whereas the left and unions could see it as a measure fostering the reintegration of jobseekers (Häusermann et al. 2004: 45). Moreover, a “solidarity contribution” (a 1% contribution perceived on the part of wages above that that was insured) on high wages was introduced, and then raised to 2% in 19994.

After the 1995 law was accepted without being challenged by a referendum, state deficits continued to deteriorate, and the Government decided to take further emergency measures to cut expenditures in social policy. In the fall of 1996, it issued another emergency decree (Arrêté federal urgent) providing for budget cuts for early retirement, federal credits and unemployment insurance. In this latter domain, the draft provided for 1 to 3% cuts in benefits. Whereas trade unions gave up on launching a referendum, it was eventually launched by a small organisation of jobseekers of La Chaux-de-Fonds, in the canton of Neuchatel. To the surprise of many, they managed to gather the required amount of signatures to challenge the law, were then joined by trade unions as well, and they won the referendum. The reform was blocked (Hirter & Linder 2002: 26). Politically, this was taken as a sign that cuts in replacement rates would be difficult to achieve in the face of the referendum threat (Neue Zürcher Zeitung 1997).

In pensions, an important reform was achieved in the mid-90s that provided for an increase in the age of retirement for women, but also a “splitting” system whereby the contributions of both spouses would be added, divided by two and counted separately, as well as pension credits for mothers. In this case as well, political parties played a leading role in forging a compromise geared towards gender equality, which made it acceptable for the social democrats as well (Häusermann et al. 2004: 44). However, unsatisfied with the increase in the retirement age, trade unions launched a referendum but were defeated. Over this period, Häusermann et al. (2004) argue that increasing polarization amongst social partners has led to the fading out of the corporatist arena as the main locus of policymaking, whereas the partisan arena was better able to strike compromises by integrating new social need and demands as parts of policy deals between parties. In the following section, however, I show that since the end of the 1990s polarization has affected

4 This measure was based on the principle that the proportion of wages which was insured against unemployment would be limited, but the proportion of the wage on which contribution would be due would be higher than the insured income. This was an element of redistribution from high income earners, who are as a rule less likely to become unemployed, to lower income earners. Moreover, this also represented non-negligible receipts for the unemployment insurance fund, up to 135 mio CHF a year (Conseil Fédéral 2001).
the parliamentary arena as well, mainly due to the substantial increase in strength of the SVP.

**Polarization and Adversarial Policymaking**

In the federal elections of 1999, the SVP made a leap in its electoral score, building upon a steady progression all over the decade. It increased its electoral score by 8%, reaching 22% and thereby outvoting the liberal FDP with 19%. The SVP parliamentary representation in the Lower Chamber increased from 29 to 44 seats, thereby becoming the second largest parliamentary fraction after the social democrats, and displaying a clearly more right-wing profile. Centre-right parties managed to remain relatively stable in their representation, but it was clear that the SVP could no longer be considered a junior partner and was emerging as a strong competitor for them.

One of the first substantial reforms handled during that legislature was the second revision of the law on unemployment insurance, whose decision-making process showed quite clearly that a new polarized configuration in Parliament was making it ever more difficult to achieve the compromises that characterised the mid-1990s. The main aim of that revision was to establish a system of insurance payroll funding that would solve the high level of debt of the insurance fund. Despite the increase in payroll contributions established in the early 1990s and the establishment of a “solidarity contribution” on high wages, the fund was still facing a great amount of debts, and the Federal Government had had to step in to support it with general tax revenue. Given that many features drew upon legal bases that were limited in time, a permanent system of funding has to be devised to disengage the Federal state from the insurance system and “sanitise” the fund. A fairly stringent mandate had been given in 1998 by a majority of the Parliament to reduce payroll contributions from 3 to 2%, thereby imposing cuts on expenditures as well. The initial project of the counted three main measures. First, regarding contributions, compulsory contributions were reduced as requested, but the “solidarity contribution” on high wages was maintained, although with a lower contribution rate. Second, regarding benefits, the period of contribution required to claim for unemployment benefits was extended from 6 to 12 months. Third, the maximal duration of benefits was reduced from 520 to 400 days. Hence, these were essentially retrenchment measures, although the maintenance of the solidarity contribution on high wages was supposed to balance the project (Conseil Fédéral 2001).

The right-wing majority Parliament interestingly introduced further retrenchment measures when the law was voted on. In opposition to the will of the Government, the Ständerat suppressed the solidarity contribution altogether, whereas it accepted the reduction of benefit duration and the increase in the contribution period. The Lower house was somewhat closer to the position of the Government, but rallied the Ständerat on the most important measures, only introducing the possibility for cantons whose unemployment level is high to prolong the period of benefit. In the final vote in the Nationalrat, Liberals, Christian Democrats and the SVP supported the bill, whereas Social Democrats and Greens opposed it, in a typical left-right opposition. After its acceptation in Parliament, the SGB trade union initiated a referendum against the bill, but the Swiss People nevertheless accepted it by a majority of 56.1%.

In many ways, interview material suggests that the increasing polarisation and electoral competition pattern between right-wing parties has led to a harder stance on welfare reform, this specific revision being one of the first cases where this could be felt.
"It's something that had never happened before in the 90s, to almost lose control of the development [in Parliament], at least as far as I'm concerned. But it also has to do with people. [...] It was easier in the 90s than in the 2000s, the legislature 1999 to 2003 was already very polarized. For 8 years now we've had a highly polarized parliament, with a bit of a breakdown, or a weakening of the parties of the centre. I think it is one of the first revisions in which this could be felt. [...] Because that's where it has just begun [...] that even if the social partners agreed upon something, it was no longer a guarantee that it would be agreed in Parliament" First Secretary, SGB (Interview CH10).

"It is more difficult to find compromises. In the past, in the commission for the economy, there were people like [former CVP and FDP MPs]. With those people it was possible to find compromises. Now it is no longer possible. It has to do with the fact that amongst bourgeois parties, there are a few strong people, and the others follow. And those strong people are hardliners. Those who used to build bridges are not there anymore. It's the same in the finance commission, it's only left-right. The SVP has played a role in this by pushing parts of the FDP and CVP to the right. Also, in the last elections, and those before, people who have been elected have been much more right-wing. There are fewer moderates who are ready to collaborate with the left. And the SVP plays with this. Compromises can still be found in energy policy, education policy, but social and finance policy, it's impossible [...] And the pressure comes from the SVP, more than from employers’ Social Democratic MP (Interview CH4)

The situation in the middle of the 90's, or beginning-middle of the 90's, which led then to the revision of 1995, was much more constructive as the political fronts were not so hardened yet. And in this sense also the left and the employee side was stronger. Thus, in the 2. Unemployment insurance revision, we succeeded better in obtaining measures in favour of the unemployed and improve their situation, in particular also with the active labour market measures. In this sense, what was new with this 3rd revision was this bare, hard retrenchment, linked with cuts in contribution rates for high incomes [...] What was in the background, perhaps also for this hardening, was what happened in Parliament. It was already the expression of this fight for hegemony within the bourgeois camp, and this whole tax cuts euphoria, which at that time already played a role, and which led to the fact that the bourgeois parties have engaged in a competition among themselves, for who is the champion of tax cuts, for who is the best to relieve top incomes and the wealthiest. I really believe this was the background of this development" [...] [the change in the electoral strength of the SVP] played a role, I believe. And through the strengthening of the SVP, there emerged also a new political strategy within the Right, who was no longer afraid to propose strong cuts in the welfare system. They have partly succeeded in that, so they have succeeded with this third revision [...] and that was the trigger for further measures of dismantling [...] that was all under the leadership of the SVP » Former Vice-president, Social Democratic Party (Interview CH12).

A similar pattern of reform could be observed in the following 4th reform of unemployment insurance voted upon in 2010. Whereas the initial project already provided for substantial cost-cutting measures, the majority of both chambers introduced further cuts in allowances, especially for workers below 30, whereas all attempts by the social democrats to introduce increases in contributions were refused. Even if many of these retrenchment measures were proposed by SVP members, the SVP parliamentary group decided to abstain in the final vote after a few of its proposals were refused, such as the exemption of contribution to people not entitled to benefits, as well as penal sanctions for people unduly claiming benefits (Assemblée Fédérale 2010).

Evidence of a more polarised policymaking context could also be observed in the field of pensions, even if in this domain, polarisation has resulted in a substantial policy deadlock. For instance, whereas the 10th revision of basic pensions had managed to combine cost containment measures with a balance in terms of gender equality to strike a left-right compromise, the two following reforms of basic pensions ended up in a stalemate after the rejection of the first attempt in 2004 in a popular referendum and the failure of another attempt to find a majority in Parliament in 2010. The first provided for a combination of an increase in the retirement age of women, cuts in widows' pensions, a 1% increase of VAT,
whereas attempts to introduce a flexibilisation of the age of retirement were rejected by the right-wing majority in Parliament, before being rejected by a majority of 67% of voters in 2004. The latest reform attempt initiated after this was then rejected by a majority of the lower chamber.

In this latter period, the only cases where compromises could be found in a context of increased polarisation between left and right where those where irreconcilable differences subsisted between the populist right and centre-right parties. This notably includes a reform of family allowances or the establishment of a maternity insurance leave in 2005, and most importantly the so-called “accompanying measures” to the free-movement of workers (Afonso 2010). When Switzerland opened its labour market to EU workers in the framework of a bilateral agreement with the EU in 2002 and 2004, trade unions asked for “compensation measures” in the form of a package of labour market legislation to protect the labour market from wage dumping practices. Since employers and centre-right parties could not count on the support of the populist right, who was totally opposed to any sort of labour market opening, compromises had to be found with the left to build enough political support in the context of a likely referendum. In this context, these cases contrast with the general picture of social policymaking in Switzerland in this latter period:

“The bilateral agreements are the most important thing we have achieved during this legislature. Otherwise it is clear that we are in an extremely polarized situation, where the government is more right-wing than ever (…). The positions of bourgeois parties are rarely oriented towards real solutions, as the SVP exerts strong pressure on other right-wing parties. It's hard to find solutions in the field of social insurances. In this regard, the flanking measures are a "success story" which contrasts with the general story” (President, Swiss Trade Union Confederation) (Interview CH3).

In many ways, the evolution of party competition over the last 10 years had therefore led to substantial changes in the way welfare reform was being carried out in Switzerland. The pattern of party competition that has emerged amongst right-wing parties has tended to marginalise social democrats and trade unions. Interestingly, the weakening of centre-right parties has deprived social democrats and trade unions from their usual partners with whom compromises could be struck in the beginning of the 1990s, notably in the form of “modernising compromises” combining retrenchment and either activation or gender equality (Bonoli 1999; Häusermann et al. 2004). In a context where the right-wing party bloc has not only expanded but its centre of gravity has also moved to the right, this combination no longer seems to be the only opportunity of reform: unilateral retrenchment also works in domains where retrenchment is concentrated on a minority of citizens, such as unemployment.

**Austria: From Unilateral Retrenchment Back to Corporatism**

If party-political developments in Austria have been fairly similar to Switzerland regarding the electoral competition of radical populist parties for the mainstream right, their influence on actual patterns of welfare reform have been mediated by a different institutional context. Austria is a more classical parliamentary democracy and patterns of retrenchment or compromise are essentially determined by coalitions in power. However, the theoretical propositions made in the empirical section apply fairly well in this case as well, since the alliance strategy pursued by the centre right towards the radical right played a determining role, and similar party-political configuration produced fairly similar outcomes in terms of retrenchment and compromise: a centre-right/right-wing populist coalition achieved a substantial amount of welfare retrenchment, whereas a grand coalition of weakened
mainstream parties achieved a substantial amount of reforms with the help of the social partners.

"Black and blue" Retrenchment Agenda (2000-2006)

The FPÖ/ÖVP government that came to power in Austria in 2000 adopted a resolutely more adversarial stance in the domain of welfare reform (Obinger & Talos 2006). A government was formed under the lead of Wolfgang Schlüssel (ÖVP) as Bundeskanzler and Suzanne Riess-Passer (FPÖ) as Vizekanzler, thereby sending the SPÖ in the opposition after 30 years in office (Obinger & Talos 2006: 23-24). The ÖVP/FPÖ coalition controlled 104 (both 52 seats) out of the 183 seats in Parliament, thereby ensuring a comfortable majority to put forwards its policy agenda. After internal controversies within the FPÖ, premature elections were called in November 2002. Those did not challenge the majority of the coalition in power (down 7 seats), but would change the power configuration therein: the ÖVP jumped from the 3rd to the 1st pace and increased its score by 15%. It gained 27 seats whereas the FPÖ lost 34 seats. The new 2002-2006 Austrian Government would gather 97 seats in Parliament (79 for the ÖVP and 18 for the FPÖ). In their recent analysis of welfare state reforms under the “black and blue” coalition, Obinger and Talos (2006) argue that the governing style of the new coalition could be considered a breaking point in social policymaking in Austria.

Hence, ruling parties no longer sought to find compromises with the opposition. In the past, it was common that both big parties (SPÖ/ÖVP) supported laws together in parliament as a result of negotiation and compromises. This situation has become more rare under the “black and blue” coalition 2000: between 1999 and 2005, only one third of laws gathered support from both ÖVP and SPÖ (“corporatist majority”) whereas the rest were bare “political majorities” (ÖVP and FPÖ vs. SPÖ and Greens) (Müller 2006). In their recent analysis of welfare state reforms under the “black and blue” coalition, Obinger and Talos (2006) argue that the style of “neu regieren” adopted by this government has tended to undermine existing trends of corporatist policymaking. The political agenda of the coalition, inspired by longstanding claims on the side of the FPÖ, provided for a “return of politics” as the primary locus of policy initiatives. In this respect, they for instance provide evidence of a decrease in the proportion of Government bills that are supported by left and right. A shift towards a more majoritarian style of policymaking could therefore be observed, distancing itself from the classical Proporzdemokratie pattern.

Unemployment policy stood out as a domain in which clear policy reforms geared to retrenchment and more control of the unemployed were formulated (Obinger & Talos 2006: 124). In the beginning of the 1990s already, Jörg Haider had been asking for a toughening of sanctions towards jobseekers unwilling to work (Der Standard 1999a). These claims were later taken on by the ÖVP and the Wirtschaftskammer before the elections of 1999. In the 2000 Government program, “measures to fight abuse in the domain of unemployment insurance and unemployment assistance” were foreseen in an effort to come back to balanced state budgets (Regierungsprogramm 2000: 19). At the organisational level, competences in the domain of labour market policy were transferred from the Ministry of Social Affairs (that had always traditionally been headed by a former trade unionist) to the Ministry of Economics and Labour, whose policy agenda was more

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5 In particular, the reform of the acceptation criteria and the reinforcement of sanctions in the case of abuse were on the electoral platform of both FPÖ and the ÖVP, and were backed by the WKO as a way to increase “flexibility and competitiveness” (Der Standard 1999a, b, c).
focused on economic efficiency than on social protection. As the new Minister, Mr Martin Bartenstein (ÖVP) argued, the centre of gravity of labour market policy would be shifted from social policy (Sozialpolitik) to “competitiveness policy” (Standortpolitik) (Der Standard 2000).

A first very important and overarching law package (Budgetbegleitgesetz) elaborated at the end of 2000 set the tone of policy initiatives in this domain. This involved both the substantial content of policies and their process of elaboration. Whereas this kind of policy reforms was usually elaborated through concertation with the peak association in a restricted constellation, this one was elaborated in a working group gathering all sorts of experts and representatives of heterogeneous organisations whose proposals were presented in an undifferentiated way (Obinger & Talos 2006: 125). This report served as the basis for a far-reaching package of retrenchment measures: it provided for the suppression of the contribution of the federal State to labour market policy, the reduction of family contributions, a reduction of the basic replacement rate of unemployment benefits from 57 to 55% (and proposed at first a reduction to 53%), a longer minimal contribution period for entitlement, tougher regulations for young people, and new sanctions (Obinger & Talos 2006: 125). The so-called “acceptation criteria” (Zumutbarkeitsbestimmungen) allowing jobseekers to refuse a job offer when it did not correspond to their professional qualification were loosening, thereby making it easier to force them to accept jobs and possibly achieving more flexibility in the lower end of the labour market. This strategy to foster possibilities in low-wage employment were also fostered by experiments with a “combi-wage” where low wage jobs would be partly subsidised by the state (Obinger 2008). The coalition also achieved a substantial level of retrenchment in the field of pensions, where the basic public pension was restructured. Benefits would no longer be fixed according to the “best” 15 years of contribution but rather on an average of all contribution years, besides reforms to make access to early retirement schemes more difficult (Obinger 2008: 8). This reform carried out in 2003 gave rise to massive protests, leading the unions to organise the biggest industrial action since the second world war. In many ways, substantial retrenchment took place essentially while ignoring the claims of trade unions and social democrats (Obinger & Talos 2006).

Weakened Mainstream Parties and the Return of Corporatism

After the elections held at the end of 2006, the ÖVP decided to restore the grand coalition with social democrats after the FPÖ revealed itself as a weakly reliable coalition partner. Both mainstream parties came out substantially weakened from the 2006 elections, and a grand coalition proved to be a rather default solution in a difficult context for both mainstream parties. In many ways, this period can be characterised by a “rebirth” of Austrian corporatism after its demise under the ÖVP/FPÖ coalition (Der Standard 2009; Obinger 2008). Social partners managed to find many compromises that were then taken up by the Government and translated into actual policy, for instance on the issue of unemployment insurance for self-employed and agency workers (Interview AUT3). In the face of its bad experience during the previous Government, trade unions took advantage of the period of uncertainty that followed the 2006 elections to agree on a number of issues with employers in order to “occupy the policy space” and prevent more radical proposals from emerging from political parties:

“The trade unions had the possibility to take part in order to prevent the worse from happening, instead of letting it go. That was also the case in 2007. A whole series of corporatist compromises came about between the national elections in 2006 and the coalition agreement that was concluded
early 2007, at a time when the ÖVP was hesitating between joining a grand coalition with the SPÖ and joining a black-blue-orange [conservative/national-populist/liberal] coalition or something of this kind, that is, something scary from the point of view of trade unions. And then the rationale for them was: let’s decide things quickly ourselves before the really bad guys come and carry out their own solutions. […] There were then a lot of corporatist compromises that were decided in this phase in order, from the point of view of trade unions, to prevent worse solutions to come about [from political parties] […] Often, these were lazy, or rather bad compromises but […] interestingly, it has always been the case that social partnership has displayed a greater capacity of action than the Government, because it is more able to find compromises on issues. These are well-exercised structures” Social Policy Analyst, Green Party (Interview AUT5).

Interestingly, this strategy proved relatively successful because the Grand Coalition SPÖ/ÖVP that emerged from the 2006 elections would be marred by internal conflicts, that would ultimately lead to the fall of the Government after only two years, following a series of open disagreements over health and European policies (Obinger 2008: 1). Similarly to what happened in Switzerland, the centre-right ÖVP was faced with the competition from the FPÖ and the BZÖ on its right side, and was somehow prompted to take a liberal stance, thereby making it more difficult to agree on policies with social democrats. Interestingly, this tended to strengthen social partners in policymaking. Because of their capacity to agree on issues in a relatively effective way, trade unions and employers could come up with ready-made solutions that were also relatively handy for the Government, and play the role of “modernisation brokers” as they had already done in the past (Heinisch 2000):

“In the last Government (SPÖ-ÖVP), in which the two coalition partners really hated each other, it was more difficult for them to bring about policies. In reality, the only laws that have come about were those on which the social partners could find a compromise because, on the one hand, they are tightly linked to political parties, and on the other hand they can rely on their strong expertise and are deeply grounded in reality […] Within the Government and the Parliament, they could only agree on issues that had already been prepared by the social partners, just like this labour market reform thing. Here the social partners have played a mediation role because [political parties] were pure enemies. Many reforms have failed because one party did not want the other to enjoy a success, and every time when the other proposed something, it criticised it openly. […] Head of Labour Market Policy, Austrian Chamber of labour (Interview AUT3).

In many ways, this development provides empirical evidence for the claim that ideological polarisation within coalition partners induced by enhanced party competition on the right of the political strengthen tends to strengthen social partners.

**Conclusion**

In this article, I have attempted to outline the influence of populist radical right parties on welfare reform with an analysis of reforms in labour market and pensions policy in Austria and Switzerland. The article had three main claims, namely that the populist radical right gives an advantage to pro-retrenchment right-wing coalitions, tends to push centre-right parties further to the right, and gives a pivotal role to centre-right parties as potential coalition partners. Switzerland and Austria have been faced with a similar strengthening of populist radical right parties to the detriment of mainstream parties, and outcomes in terms of retrenchment have been fairly similar as well in similar party configurations. In Switzerland, the emergence of the SVP as the biggest parliamentary fraction has created a new reform dynamic characterised by more adversarial policy reforms and patterns of welfare retrenchment that were believed to be difficult in an institutional framework favouring compromises. Hence, whereas left-right “modernising” compromises over
welfare reform seemed to be the rule during the 1990s, the strengthening of the SVP has empowered “bare” majority right-wing coalitions between centre-right and populist right in domains such as unemployment policy, whereas a substantial policy deadlock has been commonplace in pensions. In Austria, a retrenchment trend supported by a similar centre-right-populist right majority could be observed between 2000 and 2006, whereas substantial corporatist compromises emerged after a grand coalition between conservatives and social democrats came back to power in 2007. However, those compromises only emerged under the impulsion of social partners who could acts as mediators between parties subjected to centrifugal electoral dynamics.

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