

Who Controls the Labor Market?:
Agent-based Analysis on Welfare State

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I. Introduction

Since the mid-1980s, the Netherlands and Belgium have actively employed Active Labor Market Policy (ALMP) that fosters "flexicurity". "Flexicurity" is the combination of flexibility and security that incorporates both employers' and workers' concern. On the one hand, employers have wanted to flexibly hire and fire workers in the increasingly unpredictable market. Workers, on the other hand, have wanted to secure their employment, against the influence of the market. While the two parties prioritized different components of "flexicurity", both of them wanted to realize lower unemployment level that would foster the healthy welfare system and the robust economy at large (Tros 2009; Maselli 2010; Rhein 2010).

However, despite their similar size of the ALMP expenditure, the Netherlands and Belgium have divergent labor market outcomes. The Netherlands has increased its total employment by more than twelve percents – more than double of the average increase of total employment among OECD countries during the same time period. In contrast, Belgium has shown an increase that merely went above the average among OECD countries. This paper addresses this puzzling discrepancy: Why did the Netherlands and Belgium diverge in their labor market outcomes, despite their similar ALMP expenditure size?

This paper argues that the effect of ALMP does not depend on expenditure, but depends on agents that implement the policy. In the Netherlands, the employers were chosen as the agents to implement the ALMP against the rising unemployment, and the employers actively fostered flexibility in the labor market. The employer-led ALMP of the Netherlands subsequently resulted in part-time economy where full-time and part-time workers were interchangeably engaged in the workforce. In contrast, the unions took on the role of implementing the ALMP in Belgium. They maintained their influence on labor market within the traditional corporatist system. They

then designed the labor market that prioritized security, with increased unemployment benefit and more full-time jobs, against the increasingly precarious market condition. Consequently, when agents of ALMP implementation differed, the two countries have shown divergent labor market outcomes.

This paper draws a distinction from previous literatures on welfare state. Many studies on welfare state have focused on the determinants of expenditure size (Esping-Andersen 1990; Amenta 1998; Pierson 1996; Huber and Stephens 2001; Kenworthy and Pontusson 2005; Lee 2005; Haggard and Kaufman 2008)¹. They tried to find the determinants of different expenditure sizes, equating the expenditure size to the “decommodification” measure. In other words, expenditure size meant the effectiveness of the welfare state, regardless of how the expenditure was used. This paper, however, argues for agent-based approach that not only considers expenditure size but also the agent of the welfare state. Depending on agents, ALMP emboldens flexibility of labor market, or security of workers in their work placement. And, depending on what measure of ALMP is prioritized, there are divergent outcomes on labor market such as voluntary part-time workers, unemployment benefit size, discouraged workers, and union presence. Different agents brought out the divergent labor market outcomes, via the welfare state that shared the similar expenditure size yet different intentions.

This paper is organized as follows. Section II briefly describes why ALMP has become an important tool against the welfare state retrenchment and also against the increasingly volatile economy. Section III shows why expenditure size is not an appropriate measure for Dutch and Belgian labor market outcomes. Section IV illustrates that the ALMPs were implemented by different agents in the two countries. This section also shows how the ALMPs, through different

¹ Many scholars simplify the role of ALMP into flexibility-enhancing, and they further argue that ALMP’s effect on labor market depends on the expenditure size. For the expenditure-based analysis on ALMP specifically, see Boix 1998, Martin and Swank 2004, Huo, Nelson and Stephens 2007, and Rueda 2007.

agents, brought out divergent labor market outcomes. Section V describes why different agents were mobilized for ALMP. Section VI lays out the implications of such findings. Section VII concludes with this paper's contribution to the study of welfare state.

II. Why ALMP?

Starting in the mid-1980s, ALMP was increasingly used to fight against the rising unemployment rate. The rising unemployment rate was a threat to both welfare state and economy at large. The rising unemployment rate led to the increasing demand of unemployment benefits, putting strain on the welfare budget. Also, the unemployment rate signified that workers did not possess the skill sets demanded by the market. The increasingly unpredictable economy, coupled with deindustrialization, required skill sets that differed from before, and workers were not properly equipped with such skill sets (Garrett 1998; Esping-Andersen 1999).

Therefore, ALMP was introduced to foster "flexicurity". Flexibility was increasingly demanded by employers, as employers wanted to respond flexibly to the unpredictable economy. Employers wanted to adjust their labor supply based on market conditions and production cycles, and the rigid labor supply put strain on their production cost. Moreover, employers wanted to flexibly employ workers who possessed the appropriate skills, against the market that required increasingly variegated technologies (Locke et al. 1995). Employers had to change their operation and production models often, thus they needed the workforce that could switch from one technology to another quickly (Chesbrough et al. 2006). Therefore, employers sought to flexibly hire and fire workers not based on rigid contract, but based on flexible market conditions.

In contrast, security was increasingly demanded by workers. Workers felt threatened by the unpredictable market conditions, as much as employers did. Against the rising unemployment rate, workers were well aware of ramification of the new economy. Moreover,

workers were no longer guaranteed the generous unemployment benefit they used to receive, since the retrenched welfare regime no longer promised such benefit (Esping-Andersen 1999; Korpi and Palme 2003). Without any help, workers could not adjust their skills to changing market conditions quickly, and workers consequently wanted strong employment protection.

Therefore, the Netherlands and Belgium wanted to compromise this dilemma with ALMP. Their ALMPs intended to lift the burden for employers by making labor market more flexible. At the same time, the ALMPs also intended to upskill workers so that workers possessed the skill sets needed by the market. By upskilling workers, the ALMPs tried to increase marketability and employability of workers, making their employment more secure. The ALMPs were, consequently, the measure through which the Netherlands and Belgium tried to kill two birds with one stone – to rescue the welfare regime *and* the economy at large.

III. ALMP expenditure size and labor market outcomes

The Netherlands and Belgium serve as the best cases to test how welfare state expenditure on ALMP affects labor market outcome. They are both small open economies that are highly exposed to the unpredictable exogenous market conditions. They have shared the corporatist tradition through which stakeholders – especially government, employer, and unions – come together to make a decision. They have a shared history of society- and nation-building. Most importantly, the two countries had shared the similar labor market conditions before the ALMPs were introduced. Differences do exist, however. While the Netherlands has a decentralized unitary political system, Belgium has a more fragmented federal system. Belgium has long struggled to bring its people together, as the more affluent Dutch-speaking regions increasingly call for independence from the French-speaking regions.² The Netherlands and

² Flanders (Dutch-speaking region), Wallonia (French-speaking region) and Brussel (German-speaking region) of Belgium show a great disparity in their labor market conditions as well as other economic conditions. Brussel and

Belgium, nevertheless, share similarities that can help isolate the ALMPs as the sole cause to their labor market outcomes.

The Netherlands and Belgium are among the biggest spenders on ALMP. The Netherlands spent average 1.3426% of its GDP on ALMP from 1985 to 2005, and Belgium spent 1.1488% during the same time period (Figure 1). They rank third and fourth, respectively, among OECD countries in ALMP expenditure size. Social democratic countries and corporatist countries tend to have bigger expenditures on ALMP. They usually offer generous unemployment benefits, and the rising unemployment (subsequently the escalating budgetary concern) called for large ALMP expenditure to subdue the unemployment rate. Yet, a wide cross-national variation exists within each system as well (Figure 2). Therefore, while social democratic and corporatist countries have larger ALMP expenditure size, the determinants of ALMP expenditure cannot be simplified through the welfare system (Vlandas 2011).

Despite the similar levels of ALMP expenditure, the Netherlands and Belgium show completely divergent labor market outcomes (Figure 3). The Netherlands has increased its total employment by more than 12 percents, going from average to nearing Denmark, one of the highest total employment rates among OECD countries. This increase in total employment is a remarkable feat for the Netherlands, especially after the country suffered from the “Dutch Disease.” In contrast, Belgium shows only 6.1 percents of increase in its total employment. This increase does go over the average, but this incremental change is disappointing given its large expenditure on the ALMP. These divergent impacts on labor market outcomes require us to look

Flanders are service-oriented economies, and the two regions, especially Brussel, boast GDPs much higher than the EU average. However, Wallonia suffers from lower GDP and staggering productivity. On the labor market conditions, Wallonia also has a much higher unemployment rate than Brussel and Flanders, and such disparity poses a challenge to Belgian unions and their cohesiveness as a social actor. While this paper does not address this challenge, the challenge can potentially change the distributive and welfare function of unions (Beaufays 1988).

beyond the expenditure size. Therefore, this paper addresses why the similar expenditure size of the Netherlands and Belgium resulted in divergent labor market outcomes.

IV. Agent-based analysis on ALMP and its impact on labor market outcome

1) Labor market conditions before the ALMPs

In order to see the impact of ALMP, it is important to sketch out the labor market of the two countries before the respective ALMPs were implemented. In both countries, unions played a crucial role in dispensing the training and the unemployment benefit. While employers actively trained their workers for specific skills of their industry, unions trained both employed and unemployed workers. As long as the workers were under the union influence, they received the unemployment benefit as well, based on their contribution in the past. Unemployed workers, therefore, could benefit from the skill training and the generous unemployment benefit provided by unions.

Under unions' strong lead, full-time job creation was prioritized over part-time job creation. Part-time jobs provided workers with lower wage and less employment security than those provided by full-time jobs. Therefore, part-time workers were often treated as the "secondary workers," and they got laid off more easily than full-time workers. Moreover, part-time workers could not receive the unemployment benefit either, since they were technically employed, albeit not sufficiently. Also, part-time workers were often ineligible for the future unemployment benefits, as part-time workers could not contribute much to the traditional contributive pension scheme. Therefore, there were few part-time workers before the ALMP in both countries, and the existing part-time workers were involuntary, outside of the union protection. Unions further resisted part-time job creation, as part-time jobs eroded the number of hours available for full-time jobs. Consequently, unions preferred creating full-time jobs, and

they provided the unemployment benefits to those who were getting training in preparation for other full-time employments (Esping-Andersen 1990, Ch. 6; Manow and Seils 2000).

As a result, before the ALMPs, both the Netherlands and Belgium had a generous unemployment benefit scheme and few voluntary part-time workers under the strong union presence. Those part-time workers, after all, chose part-time work not because the part-time work promised full-time jobs or sufficient income, but because they often could not receive the unemployment benefit and did not see any hopes of being employed full-time. Those involuntary part-time workers were also outside of the union influence, vulnerable to fickle market conditions. Consequently, the two corporatist countries had the labor market in which unions played a crucial role in shaping the labor market: Secure full-time employment, backed up by high unemployment benefit in preparation for full-time jobs (Esping-Andersen 1990).

2) The employer-led ALMP of the Netherlands and its impact on the labor market

The Netherlands and Belgium mobilized different agents for implementation of their ALMPs. And the divergent mobilization has led to divergent labor market outcomes.³ In the Netherlands, employers and sectoral associations were mobilized as the agents to implement the ALMP (Clegg and Wijnbergen 2009; Tros 2009). First of all, Dutch employers were provided with the budget to train workers. Through the Directie Leren en Werken (Directing Learning in Work), employers led the training scheme, backed up by the joint effort of the Dutch Ministry of Education and the Ministry of Social Affairs and Employment. Because employers and sectoral associations had interest in training the workers for the specific skills of their own industry, workers were often trained for specific industries and firms. While employers did train their employed workers before the ALMP was in place as well, unions no longer trained unemployed

³ Figure 5 shows crude, yet informative graphical representation of the divergent labor market outcomes.

workers for skills transferrable across different industries. Therefore, employers focused on giving specific skills to the unemployed as well as the employed.

Second, when employers focused on training the workers for skills of their own industry, workers were increasingly transferred *within* the industry, not *across* different industries. As part of the ALMPs, Dutch employers have increased flexibility of their labor market. They have tried to hire and fire workers more flexibly, based on the volatile market conditions. Yet, workers did not quit one job and went to another job that required a totally different skill set. Rather, workers were transferred within the industry because they were subsequently trained for the specific skill sets demanded by the specific industry. The employer-led ALMP, therefore, resulted in “internal flexibility” that trained and transferred workers specific to one industry (Tros 2009).

Lastly, the employer-led ALMP has created more part-time jobs than full-time jobs, and has continued such effort under the Flexibility and Security Act (Figure 4). Employers preferred part-time jobs because part-time jobs allowed firms with the possibility to flexibly adjust their production to the market condition. Therefore, employers preferred to hire more part-time workers than a few full-time workers for the same number of work hours. Moreover, the employer-led ALMP has created part-time jobs in order to disincentivize workers from staying unemployed. Employers wanted to engage the unemployed workers through part-time jobs rather than providing them unemployment benefit, and workers were pushed to stay in the active workforce, even if they were working only part-time.

While employers were main agents in implementing the Dutch ALMP, unions have influenced shaping the policy with their “second-order preference.”⁴ Against the increasing pressure to take up part-time jobs, unions have provided more security to part-time workers,

⁴ Korpi (2006) shows that when employers could not achieve their goal of flexible labor market, they pushed for their “second-order preference” that promoted specific skill formation among the workforce. I use this concept of “second-order preference” to refer to the second-best choice of the actor involved.

through the tripartite Socio-Economic Council (SEC). Part-time workers used to be the secondary workers who were not protected by unions or other employment security measures. However, an increasing number of part-time jobs were created as a training path to the full-time jobs. Moreover, part-time jobs now substituted the unemployment benefit, since the unemployed workers were incentivized to find the part-time jobs rather than receiving unemployment benefit in preparation for full-time jobs. By protecting part-time workers, then, unions sought to embolden job security of the increasing proportion of workforce.

As a result, the employer-led ALMP of the Netherlands has produced four distinctive labor market outcomes. First, there are a decreasing number of involuntary part-time workers (Figure 6). More workers take up part-time jobs voluntarily, as they are protected under the same treatment as the full-time workers. Workers are also incentivized for part-time jobs, rather than receiving decreased unemployment benefit. Part-time jobs also provide the higher chance of full-time jobs in the future, as employers promote internal flexibility by training their part-time workers for the industry-specific skills.

Second, the unemployment benefit has decreased significantly (Figure 7). The employer-led ALMP incentivizes workers to stay in the active workforce by decreasing the unemployment benefit. Therefore, the unemployed workers cannot receive unemployment benefit, and they are pushed to find jobs, whether they be full-time or part-time.

Third, there are more discouraged workers (Figure 8). By design, corporatist countries have always had the “insider-outsider” problem.⁵ Outsider workers refer to those who are

⁵ Rueda (2007) draws the line between insider and outsider based on the employment status. However, I here argue that even if workers are unemployed, they are insider workers if they receive the unemployment benefit and the training. When workers are within such protective umbrella, they are not as vulnerable to the market influence, regardless of their employment status, maintaining the high decommodification measure. However, when workers are outside such protection, they suffer not only from a lack of unemployment benefit but also a lack of promise of future employment, since they lack any opportunities to improve their skill via training.

perpetually unemployed, lacking the minimum level of skills and social protection. Because they never contribute to the welfare scheme, they are excluded from the union's protection.

Nevertheless, before the employer-led ALMP, they still could be included under the union influence by occasionally receiving the training to develop their skills. However, the discouraged workers have harder time receiving skill training now, as employers train workers by hiring them through part-time jobs. In order to be hired part-time workers, however, the discouraged workers have to possess the minimum level of skills that could be used for the part-time jobs. However, they do not possess such skill sets, and the already unemployed discouraged workers are further pushed away from participating in the labor market.

Lastly, Dutch unions suffer from diminishing presence in the labor market (Figure 9). While unions used to dispense the training and the unemployment benefit, employers have substituted such role. Therefore, workers are less attracted to join unions, and unions subsequently suffer from declining membership. While unions still play an important role in protecting the part-time workers, unions now have waning presence in the labor market.

3) The union-led ALMP of Belgium and its impact on the labor market

In contrast to their Dutch counterpart, Belgian unions have assumed the charge of implementing the ALMP. With the control of ALMP, Belgian unions sought to increase the number of full-time jobs. Unions preferred the traditional full-time jobs that were traditionally more secure, and unions subsequently helped create jobs in public sector. The union-led ALMP further subsidized private sector jobs as well. Union-led ALMP in Belgium, consequently, created the number of full-time jobs through which union members could be employed (Clegg 2007; Hupe and Van Dooren 2008).

In preparation for the newly created full-time jobs, unions emboldened their role of training the workers (Clegg 2007). Just like workers in other industrialized countries, Belgian workers struggled against the increasingly volatile labor market condition. Therefore, against rising job insecurity, Belgian unions initiated the effort to train not only unemployed workers but also formerly discouraged workers. Workers subscribed to the training in preparation for full-time jobs, and, since full-time jobs were prioritized over part-time jobs, workers chose to stay in the training scheme rather than taking the part-time job. Part-time workers were workers who were outside of the union sphere – same as before the ALMP. Consequently, the union-led ALMP of Belgium increased the coverage of unions' training scheme by attracting unemployed and discouraged workers to be trained for full-time jobs.

The union-led ALMP also did not incentivize workers to take part-time jobs by offering the generous unemployment benefit. Because the unemployed workers were not pressured to take more available part-time jobs, they could afford to stay unemployed for a longer period of time than their Dutch counterparts (Hupe and Van Dooren 2008). Their unemployment, after all, was less disincentivized by the longer period of training and generous unemployment benefit. Moreover, unions widened their coverage to not only the formerly employed but also discouraged workers who did not contribute to the unemployment benefit scheme before. The union-led ALMP, consequently, offered a continuously or even more generous unemployment benefit scheme than before, and the unemployed were not pressured to take up more available part-time jobs.

The union-led ALMP of Belgium resulted in four labor market outcomes that diverged from the labor market outcomes of the Netherlands. First, there were more involuntary part-time workers than before. Part-time workers continued to stay outside of union coverage, on accounts

of both training and unemployment benefit. Their employment continued to be unprotected by unions as well. However, as the most available opportunities for the unemployed workers, the outsider workers usually took up the part-time jobs, when they no longer received the training or the unemployment benefit needed. Part-time jobs, consequently, did not promise any full-time jobs in the future, and part-time workers were often laid off for a lack of proper skill sets and employment protection. Nevertheless, as the number of part-time jobs increased, more workers involuntarily participated in labor market through part-time jobs outside of the union coverage.

Second, the unemployment benefit expenditure increased. While Dutch workers were pressured to take up part-time jobs, Belgian workers were given a more generous unemployment and training period. They did not have to take up the more available part-time jobs, and the workers could afford to wait for full-time jobs. Moreover, outsider workers such as discouraged workers of the past were now included under the union coverage, as unions were given the authority to train more unemployed workforce. Therefore, with more unemployed workers waiting for full-time jobs, the expenditure for unemployment benefit subsequently increased.

Third, the wider union coverage decreased the number of discouraged worker. Discouraged workers in the past were most unskilled workers who never contributed to unions' welfare scheme. Since they did not contribute to unions' welfare revenue, they received neither the training nor the unemployment benefit. However, discouraged workers are now included in the broadened union coverage that trains them for full-time jobs. Discouraged workers of the past, then, can now develop their skills and participate in labor market, with the help of the union-led ALMP.

Lastly, the union-led ALMP helped maintain the strong presence of union in Belgian economy. Across the industrialized economies, union membership has plummeted after the

heyday of labor movement in the 1970s. However, union membership has increased incrementally in Belgium, and the continuously strong presence of union attests to the effect of the union-led ALMP. The union-led ALMP in Belgium especially emphasized the role of union in dispensing the training and the unemployment benefit to workers. Therefore, workers were incentivized to join unions in search of the training and the benefit. Moreover, as unions attracted not only temporarily unemployed but also formerly discouraged workers, unions broadened their basis for membership. Unions in Belgium, consequently, maintained their strong presence in their economy, continuing from their corporatist tradition of the past.

The Netherlands and Belgium mobilized different agents in implementing their welfare state policy. The Netherlands prioritized flexibility of labor market, preferred by employers, and the employer-led ALMP brought out the part-time economy. The Netherlands' part-time economy provided flexibility to employers, yet part-time workers were still protected on the same measure with full-time workers. Therefore, the number of participants in labor market increased significantly, while the number of hours of work did not as much. In contrast, the Belgian ALMP prioritized full-time jobs. The union-led ALMP did not allow part-time jobs that could endanger workers' employment and wage security. Hence, more secure full-time jobs were created. Unemployed workers were subsequently given a longer period of the training and the unemployment benefit, in preparation for the less available full-time jobs. And the broadened union coverage included more formerly outsider workers. Consequently, the two corporatist countries' similar ALMP expenditure resulted in widely divergent labor market outcomes that were predicated not by expenditure size, but by different agents.

V. Divergent labor market outcomes from divergent agents

Why did the Netherlands and Belgium mobilize different agents for their ALMPs, despite their similar corporatist tradition? This section argues that different agents were mobilized based on their historical contingency. Despite their corporatist tradition, the Netherlands and Belgium mobilized actors that were considered most suitable to implement the ALMPs in the given historical context. Those actors subsequently implemented ALMPs prioritizing their main agenda, while the implementation was still closely monitored and checked by other social partners.

During the 1970s, the Netherlands suffered from the “Dutch Disease” that ironically turned discovery of natural resources to the rising unemployment. The “Dutch Disease” first started with the discovery of oil in its territory. The Netherlands subsequently experienced massive deindustrialization, while the manufacturing sector experienced a sharp decline in its employment. Fluctuation of oil price, however, caused massive unemployment, and the problem was exacerbated by the generous unemployment benefit scheme. The traditional union-offered unemployment benefit allowed workers to stay unemployed for a long period of time, without much incentive for employment. Unemployment level, consequently, skyrocketed in the Netherlands in the 1970s, and the Dutch economy struggled to mobilize its workers to participate in its production (Chatterji and Price 1988).

The increasing long-term unemployment was detrimental not only to the economy but also to unions. As the total active workforce decreased, unions struggled to maintain their high membership rate. While Dutch unions took a big part in the strong corporatist tradition, unions could not maintain their influence without support from workers. Moreover, unions experienced the similar welfare retrenchment, with the decreasing contribution from the active workforce, coupled with the increasing benefit for the unemployed. By design, unions’ generous

unemployment benefit could only be materialized through low unemployment. The employed workers had to contribute sufficiently to the unemployment benefit scheme through which they were insured for unemployment. However, once unemployment became a permanent status for many workers, the unemployment benefit scheme could not be maintained without sufficient contribution from the employed workers (Esping-Andersen 1999). Consequently, unions in the Netherlands experienced decline in both its membership and benefit scheme that weakened its basis as a social partner.

As a result, unions were deemed unfit to implement to the ALMP when the state and its social partners demanded a coordinated action against the rising long-term unemployment (Hupe and Van Dooren 2008; Clegg and Wijnbergen 2009). To be clear, unions were never excluded from the decision-making process. Unions were still very much present within the corporatist system where unions participated in implementation process of ALMP as a social partner (Visser 1998; Clegg 2007). Therefore, unions could include protection measures such as protection for part-time workers, as they were demanded by the increasing proportion of the workforce. Nevertheless, unions no longer coordinated the training and the unemployment benefit scheme that used to endow unions much power. Especially, as employers were taking up training scheme, unions no longer controlled how skills would be distributed among workers. Employers were, after all, the group that felt a highest sense of crisis from the inefficient skill distribution and the low labor participation (Visser 1998; Hupe and Van Dooren 2008). Skill formation, therefore, was increasingly dependent on employers' demand and concern, leading to internal flexibility (Tros 2009). Consequently, unions were sidelined in implementing the ALMP against the rising long-term unemployment, and they only participated through proposing their second-order preference in the newly organized labor market.

In contrast, Belgian unions have boasted their strong presence as a social partner, even compared to those of other corporatist countries. Within the corporatist system, Belgian unions have continuously participated in shaping the labor market and the economy at large as a social partner throughout the post-war period. While the Oil Shocks of the 1970s did shake up the national economy, the unemployment rate was maintained at a relatively stable level. Therefore, Belgian unions have successfully contained their expenditure to a sustainable level. Of course, as other industrialized countries experienced, Belgian economy struggled against the rising unemployment level that put an increasing pressure on welfare state at large. Yet, unions sustained the exacerbated economic condition by employing austerity that sustained unions' role in the labor market.

Therefore, without a significant sense of crisis, Belgian unions continued to take up the role of dispensing the training and the unemployment benefit scheme to workers through the ALMP. It would have taken a greater sense of crisis to take the role of dispensing such schemes away from unions, given that unions have played that role for a long time (Hupe and Van Dooren 2008). Employers had no public support or authority to push for change, when unions have secured strong presence as a social partner. Therefore, like Dutch unions participated in implementing ALMP through their second-order preference, Belgian employers had to press their demand through their second-order preference. Employers demanded the decrease in the unemployment benefit scheme and the increased weight of training in the ALMP, and unions adjusted to these demands in some degree. By devoting nearly half of all unemployment expenditures to “non-job-seeking activities,” unions complemented employers' demands in implementing the ALMP (Clegg 2007). Nevertheless, Belgian unions successfully guarded the

role of dispensing the training and the unemployment benefit, and they maintained their strong presence as a social partner in the labor market.

Consequently, the Netherlands and Belgium mobilized different social partners in implementing their ALMPs. The reason for this divergence lies on the historical contingency. If only the institutional welfare system mattered, both countries would have mobilized the same social partner for their ALMPs. As corporatist countries, unions of both countries have traditionally taken up the role of dispensing the training and the unemployment benefits. Yet, the Netherlands experienced a crisis that initiated a shift of such role, while Belgium did not experience such crisis. The two corporatist countries subsequently took on divergent roads in implementing their ALMPs. Nevertheless, their corporatist system has remained intact, as different social partners continuously participate in adjusting ALMPs to their second-order preference. The Netherlands and Belgium's mobilization of divergent social partners in their welfare state politics, consequently, attests to the combination of their existing system and historically specific context.

VI. Implications of the findings

This section lays out the implications of the two countries' divergent labor market outcomes. The two corporatist countries now have labor markets that differ from their previous ones. They have different strategies against unemployment. They put more emphasis on upskilling their workers. They no longer promise the same welfare benefit schemes they used to guarantee. This section addresses the ramifications of these new welfare states and ALMP-induced labor market outcomes.

The Netherlands has reached the total employment level that now hovers level of social democratic countries'. Its full-employment commitment seems as strong as their Nordic

neighbors as well. Is the Netherlands, then, moving away from the corporatist and toward the social democratic system? However, contrary to resemblance in total employment level, the Netherlands still contains distinctive corporatist components. And two accounts attest to such distinction. First, employer-led ALMP has created numerous part-time jobs rather than full-time jobs. In order to engage as much of their population into the active workforce as possible, social democratic countries have created the number of full-time jobs (Esping-Andersen 1999). Their most traditional method was through the public sector, and the public sector has subsequently grown with an exceptionally high female participation. In contrast, the Netherlands' employer-led ALMP created part-time jobs that divided full-time jobs into several. Employers wanted to increase part-time jobs for flexibility, yet they did not want to increase the number of working hours that would lead to the increased labor cost. Dutch employers were adherent to the limited revenue than the public sector that could utilize tax revenue more freely. Therefore, the employer-led ALMP resulted in part-time jobs that increased employment level without increasing the labor cost significantly.

Second, despite its high total employment level, the Netherlands has failed to solve the "insider-outsider problem." The "insider-outsider problem" has perpetually posed a threat to the societal well-being of corporatist countries, as the outsider workers have faced an uphill challenge to enter the labor market. The outsider worker problem is detrimental not only because they have hard time participating in the labor market but also because they do not receive any welfare benefit in the contributive welfare scheme. When the employer-led ALMP reduces the benefit coverage, outsider workers further lose chance to receive any welfare benefits. Moreover, as the employer-led ALMP trains workers through part-time jobs that require the minimum level of skills, outsider workers who lack the minimum level of skills are further marginalized.

Therefore, while some group's participation has risen due to flexible working condition, the new labor market condition of the Netherlands poses another challenge of the marginalized social group that is distinctive in the corporatist country (Kalleberg 2000; Bosch and Klaauw 2009).

Belgium faces more traditional challenges of the corporatist country. While sustaining unemployment, Belgium still provides the generous unemployment benefit scheme. However, this benefit scheme will be put under pressure, as the unemployment level rises. Many corporatist countries have indeed struggled against the rising unemployment level, especially when the generous unemployment benefit scheme does not disincentivize them to actively seek out jobs. Against such risk, Belgian unions have implemented larger training scheme that helps unemployed workers find jobs more quickly. When the unemployed cannot receive unemployment benefit without receiving training, they are incentivized to upskill in preparation for full-time jobs. The ALMP's bigger proportion of training attests to such effort.

Yet, the challenge persists, when the unemployed may stay permanently under generous unemployment benefit. Therefore, the success of Belgium's union-led ALMP depends on the effectiveness of the training offered by unions. If unions do not provide effective training to the unemployed, the unemployed workers will stay out of jobs for a longer period of time.

Especially when unions prefer and create full-time jobs over more available part-time jobs, the unemployed are less likely to be engaged in the active workforce without a proper training.

When Belgium's union-led ALMP continues to provide the generous unemployment benefit scheme, therefore, the possibility of full employment hinges upon the effectiveness of training.

VII. Conclusion

Despite their similar ALMP expenditure size, the Netherlands and Belgium now have divergent labor market outcomes. They mobilized different social partners to implement their

ALMPs, and their ALMPs prioritized different agendas of “flexicurity” based on their agent’s priority. Employers and unions prevailed as the agents of ALMPs in the Netherlands and Belgium, respectively, out of the interaction between the existing system and the historical context. In other words, while the corporatist tradition remained strong, different social partners were mobilized as agents based on their historical roles – and success – in dispensing the training and the unemployment benefit scheme.

By parceling out the determinants of labor market outcome, this paper argues for agent-based approach in study of welfare state. Many studies assume certain feature of welfare state to be directly related to expenditure size. Especially, they assume the ALMP’s role to be uni-dimensional – promoting flexibility through skill training. And they further argue that the expenditure size is the best proxy for the impact of welfare state and its ALMP (Rueda 2006, 2007; Huo, Nelson, and Stephens 2007; Van Vilet 2010; Van Vilet and Koster 2011). However, this paper calls for a much more nuanced approach, and it argues that expenditure does not matter as much as the agent, since the agent brings out the welfare program based on its priority. Some scholars have already shown that ALMP is malleable to different actors’ preference, since it is created contingently upon the historical and economic context, and not upon rigid institutional structure or partisanship (Benner and Vad 2000; Bonoli 2008, 2010). Welfare state, consequently, is shaped depending on the historically configured agent who assumes the role of implementing them. And its effect is highly dependent on the agent, more so than the expenditure. The study of welfare state, consequently, should focus on who takes control over the welfare state programs, since the welfare state’s impact can diverge widely depending on the agent.

FIGURES
Figure 1.

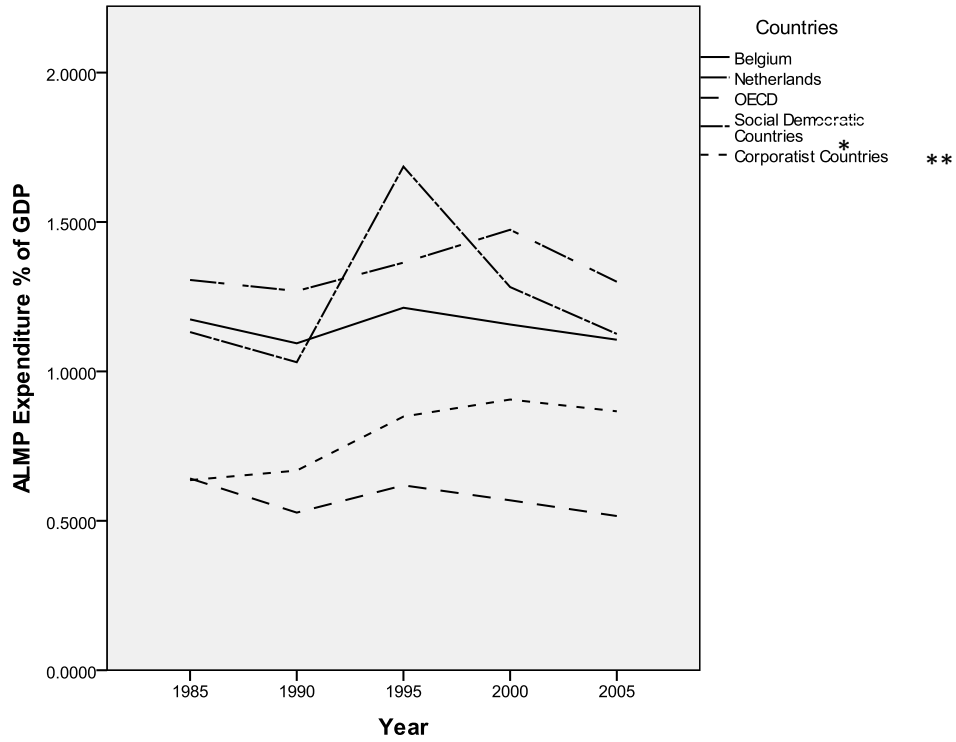
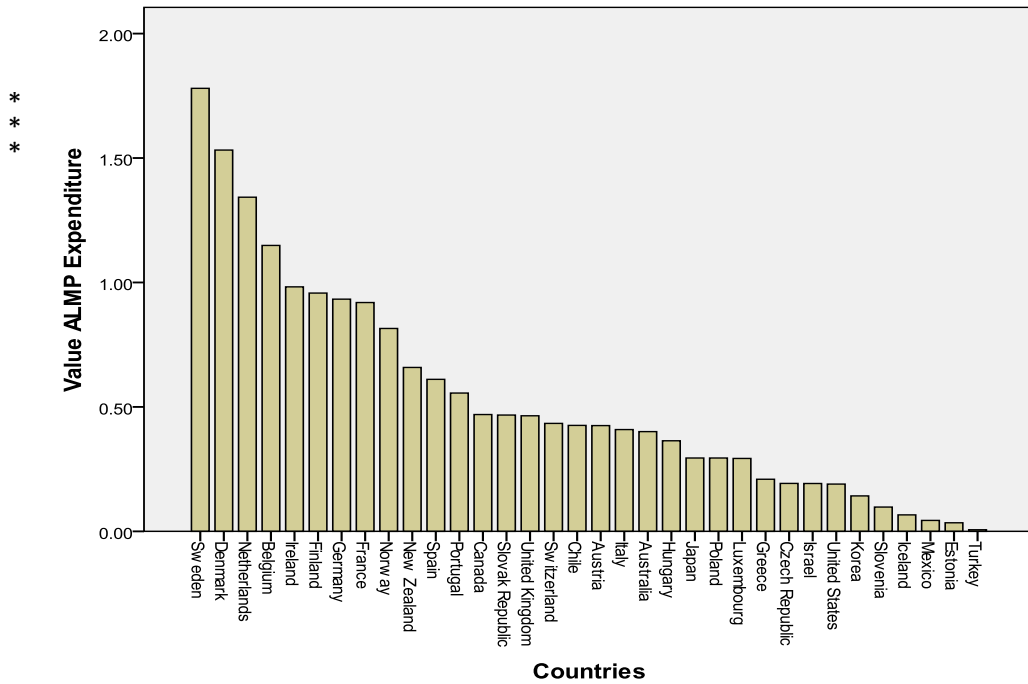


Figure 2.



*Social Democratic countries include Denmark, Finland, Norway, and Sweden.

**Corporatist countries include Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland.

***Average ALMP Expenditure from 1985 to 2005, by percentage of total GDP.

Figure 3.

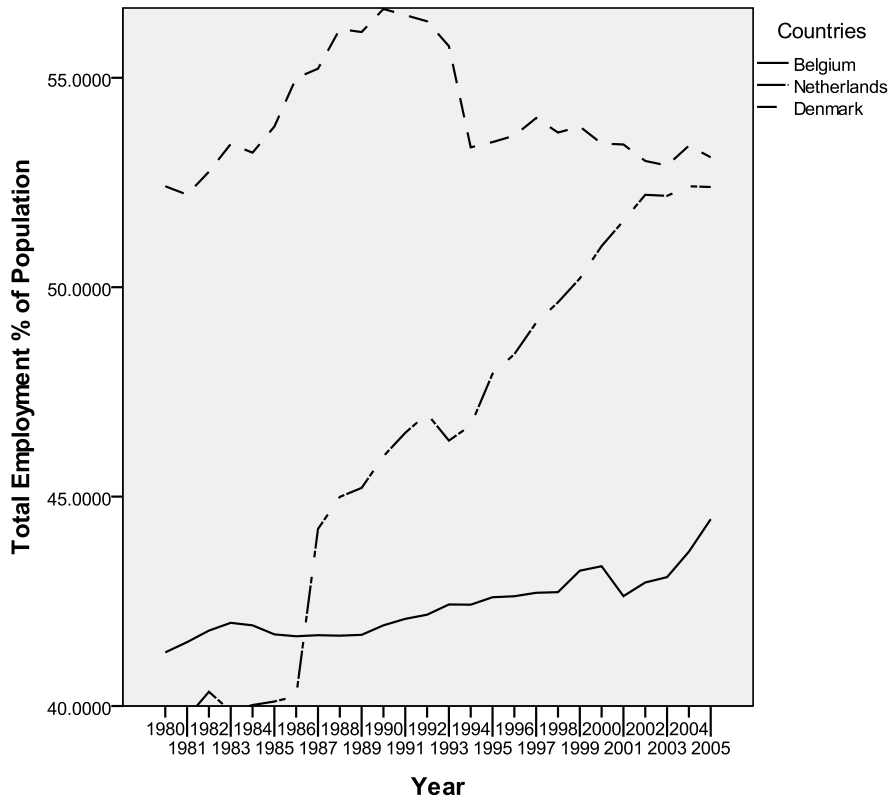


Figure 4.

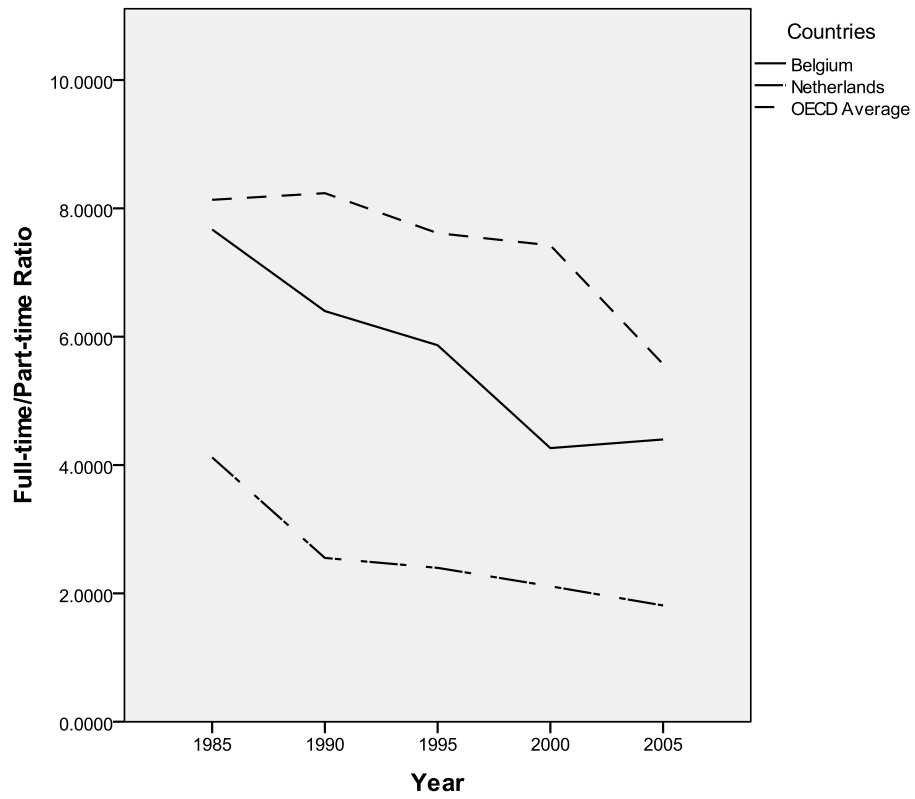
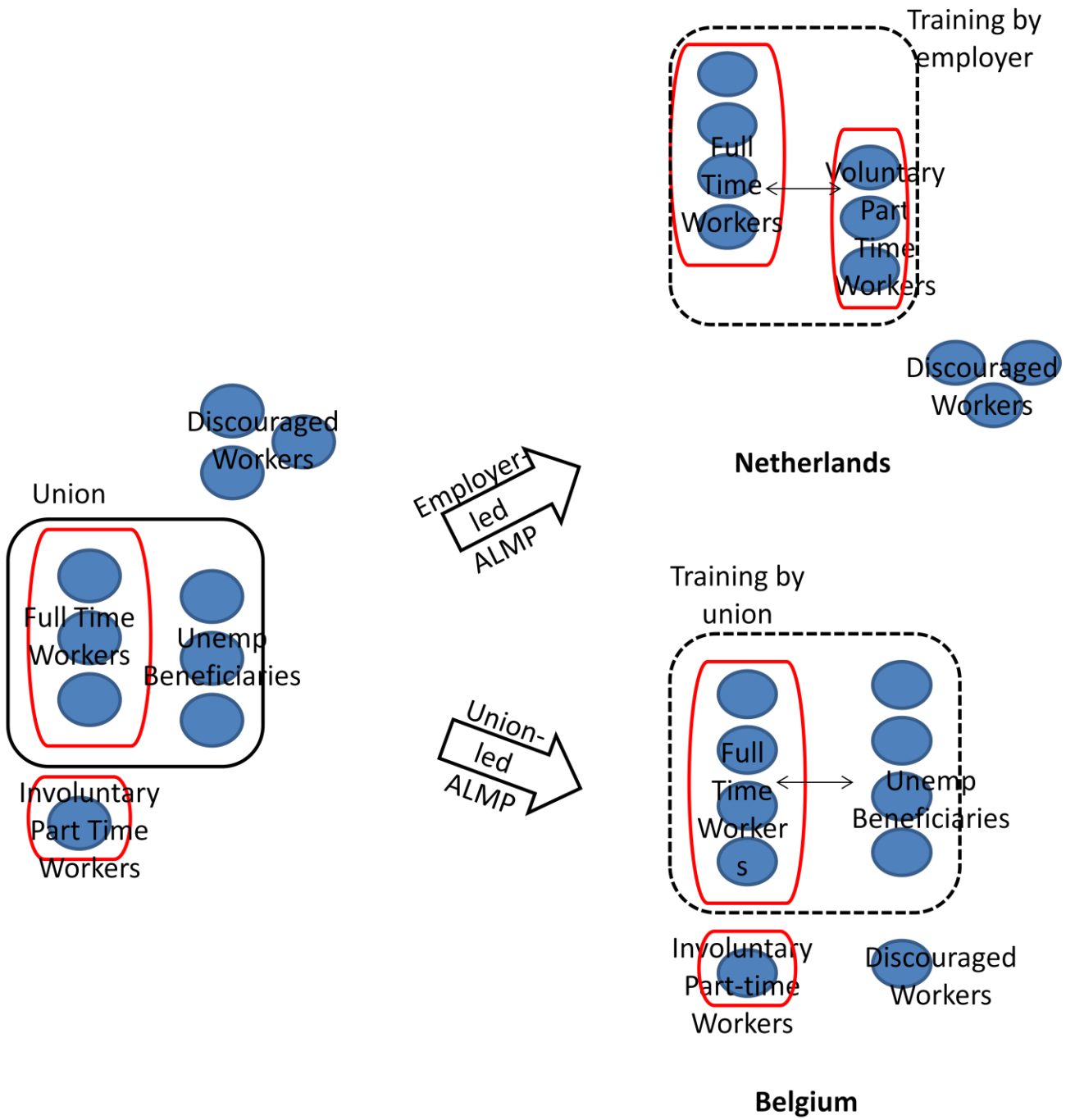


Figure 5.****



****The circles in the red line indicate the workforce actively engaged in labor market. The solid and dotted lines indicate the protection provided either by employer or union. The arrow indicates the juncture where the transfer of workforce occurs. For example, in the Dutch case, part-time workers and full-time workers exchange their places, while in the Belgian case, full-time and unemployed workers (who are under union protection) exchange their places.

Figure 6.

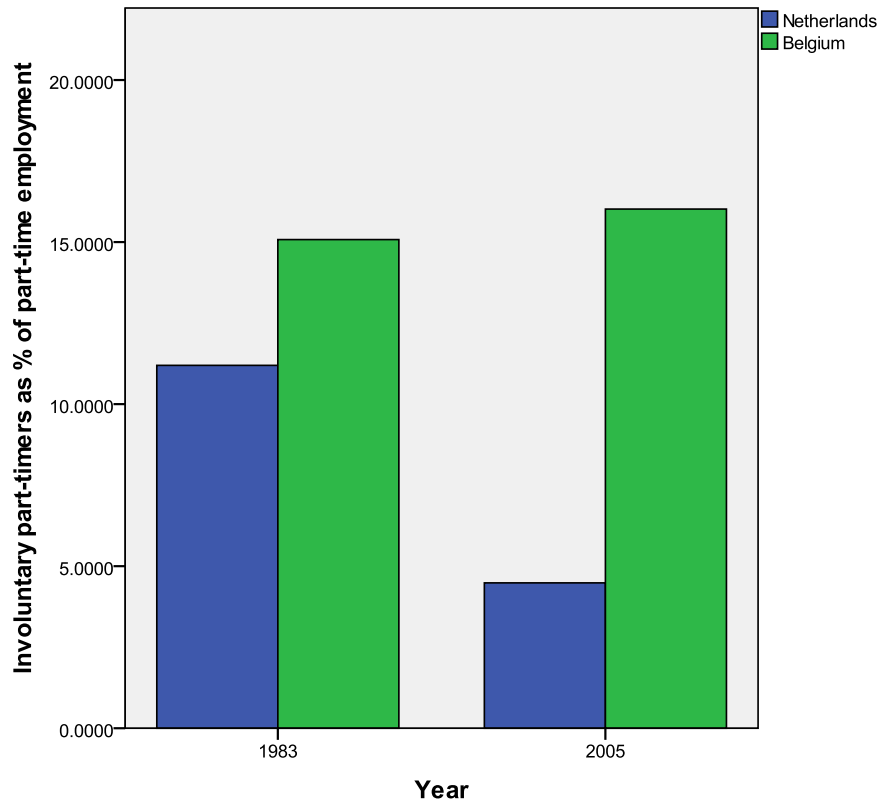


Figure 7.

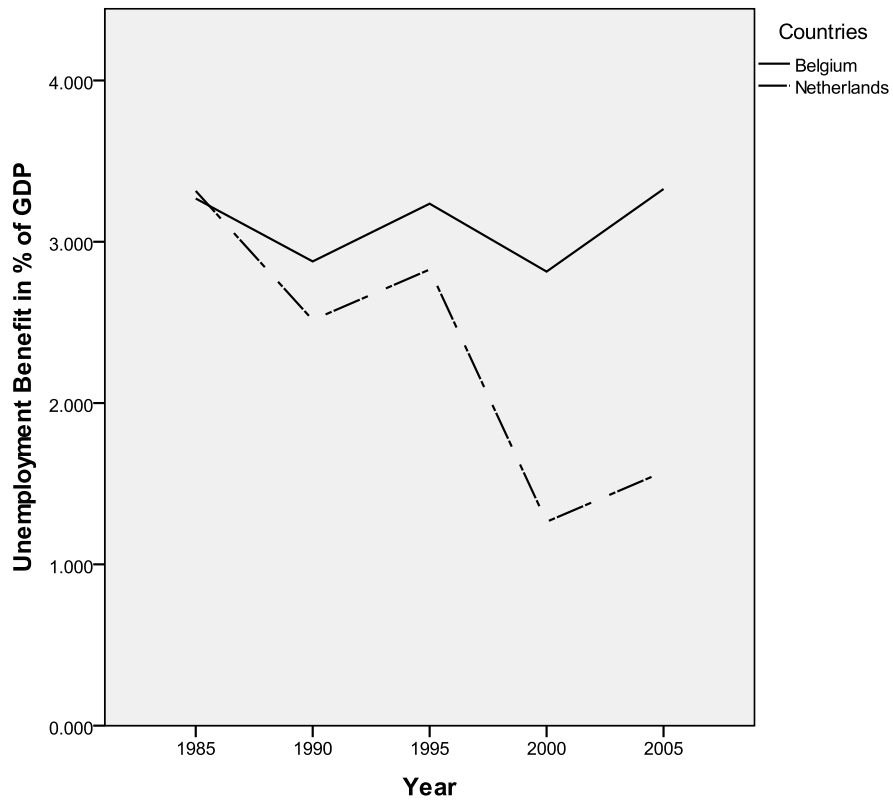


Figure 8.

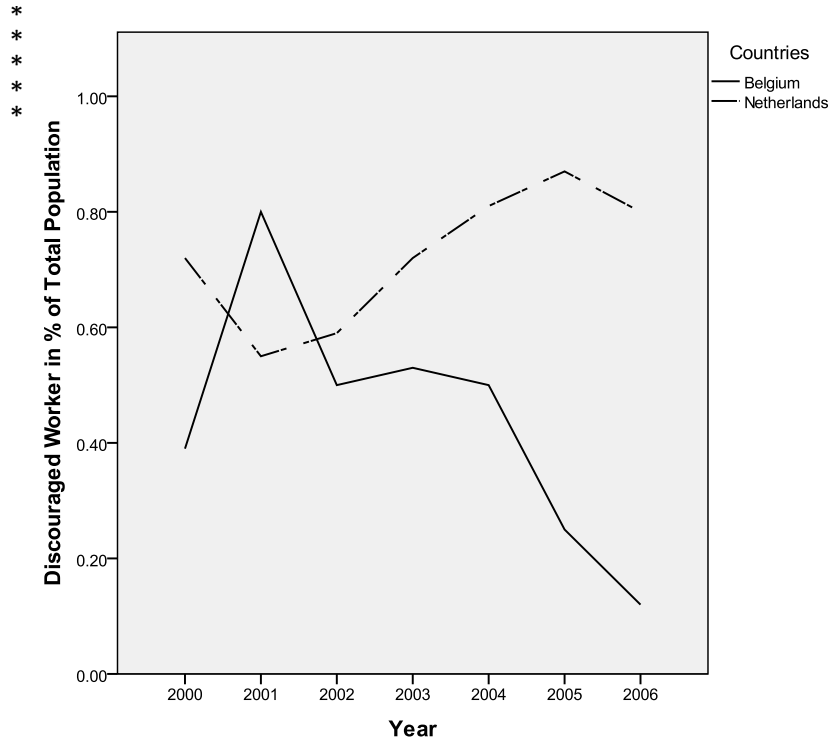
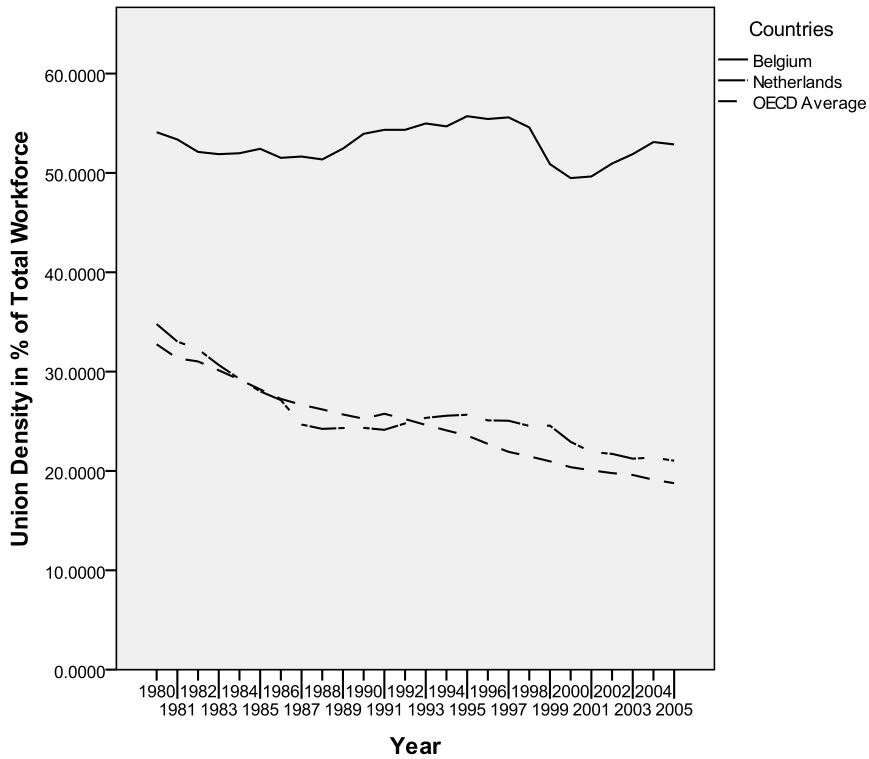


Figure 9.



*****The number of discouraged workers only includes data from 2000, for unavailability of the data before 2000.
 *****All data are from OECD (stats.oecd.org).

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