

# Federalism and Welfare to Work in Switzerland: The Development of Active Social Policies in a Fragmented Welfare State

Giuliano Bonoli\* and Cyrielle Champion†

\*University of Lausanne; giuliano.bonoli@idheap.unil.ch

†University of Lausanne

This article is concerned with the impact that federal structures have on the development of welfare to work or activation policies. More precisely, it argues that the incentives and the risks associated with a division of responsibilities among different jurisdictions may constitute an obstacle to broad reforms that promote labor market participation of nonworking benefit recipients. This argument is illustrated with a case study discussing policy responses to a massive rise in caseloads among social assistance recipients in Switzerland. We conclude that the lack of a fundamental reform was the consequence of the incentives provided by the federal structure of the program. These incentives have both encouraged cost shifting among jurisdictions and discouraged involvement of federal level policy makers in a bigger reform.

The impact of federalism on the development of welfare states is an important and increasingly well-researched issue in the literature on social policy making.<sup>1</sup> While the relevant studies do not agree on everything, a relatively broad consensus has emerged on a few results. Federalism tends to be associated with smaller public welfare states, it promotes innovation among the constituent units that can spill-over to the federal level, and may constitute an obstacle to attempts at reducing social entitlements in the current phase of retrenchment. This literature, which is briefly reviewed below, has made an important contribution toward a better understanding of the link between political institutions and social policies in general.

These advances are based on the analysis of the traditional redistributive social policies that were developed mostly during the postwar years. Today, however, it is generally accepted that advanced welfare states in the OECD have been undergoing a major transformation that emphasizes the promotion of labor market participation. In this context, reference is often made to notions like “welfare to work,” “activation,” “social investment,” or more simply “new” social policies (see e.g., Jenson 2011; Hemerijck 2012; Taylor-Gooby 2008; Eichhorst, Kaufmann, and

Konle-Seidl 2008; Bonoli and Natali 2012). With different emphases, these notions refer to policies that facilitate labor market participation such as active labor market policies and childcare. Several authors have pointed out that the shift toward an active welfare state is having an impact on the politics of social policy (Häusermann 2010; 2012; Bonoli 2012; 2013).

Against this background, we make two main arguments. First we contend that the structure of the state, and particularly the degree of devolution granted to subnational jurisdictions, is likely to affect the process of reorientation toward an active welfare state. To a large extent, this reorientation process requires countries to develop new tools to deal with worklessness. Innovation is likely to play a big role in this context. We know from the literature on the link between federalism and the expansion of welfare states that decentralization has been a major driver of innovation, by allowing constituent units to experiment and test new policy ideas, that have sometimes been taken up at the federal level. In addition, the “activation turn” has given new prominence to policy fields that in the past played a rather marginal role in advanced welfare states, such as social assistance<sup>2</sup> or childcare. These services have traditionally been provided by the municipalities, both in federal and unitary countries (Fargion 2000). As they gain a central place in the new welfare state, we can expect the development of conflicts between the federal governments and the constituent units for control over these policy areas.

Second, on a more theoretical level, we believe that the analysis of this process will inform our understanding of the link between federalism and social policy making. The reorientation of welfare states toward activation takes place in the context of highly developed welfare states, where a number of different redistributive arrangements exist. In addition, the economic and budgetary context is one of “permanent austerity.” This landscape creates incentives that can be very different from the ones that existed when welfare states were created and developed (Champion and Bonoli 2011).

In the early days, constituent units were basically “on their own” facing a new social problem, and to the extent that they had control over policy, this constituted a major incentive to innovate. It is on the basis of this type of developments, that scholarship on the impact of federalism on social policy has been accumulated. Since then, however, both the institutional and the economic contexts have changed. Today, the constituent units are less on their own, in the sense that a number of federal schemes exist in most multi-tiered welfare states. This makes it possible for constituent units to deal with emerging new social problems by offloading them onto federal schemes. At the same time, federal schemes are generally under budgetary pressure, and this creates incentives for federal governments to push clients back to the constituent units. Following from this, we claim that a federalist structure of a welfare state can encourage opportunistic behavior in social policy by both national and subnational jurisdictions. This effect,

which to the best of our knowledge has not been identified in the literature in theoretical terms, should be part of standard accounts of the link between federalism and social policies.

Empirically, these claims are illustrated through the analysis of the social assistance system in Switzerland. This program has been chosen for two reasons. First, it is a typical candidate for reform in the direction of activation: it has seen a rapid expansion of caseloads from the early 1990s onwards and it traditionally provided very little support for labor market re-entry. Second, Swiss social assistance is extremely decentralized, in terms of control, financing and implementation, and Swiss federalism is also quite extreme in the way it grants fiscal autonomy to its constituent units (Obinger, Castles, and Leibfried 2005a, 14). If, as we hypothesize, federalism impacts on the reorientation of welfare states toward activation, nowhere should this impact be clearer than in the Swiss social assistance system. The choice of an extreme case allows us to maximize the chance that we will not miss an effect of federalism on activation, if it exists. On the other hand, this approach has also a drawback, since it will be difficult to generalize what we observe for Switzerland to other cases. We will return to the issue of the broader validity of our findings in the conclusion.

The article begins with a discussion of the effect of federalism on active social policies based on existing literature and then briefly describes the structure of the Swiss welfare state and of social assistance. The empirical part focuses on the responses to a major rise in social assistance caseloads between 1990 and the mid-2000s. It looks at both responses that have been discussed and adopted within the current highly decentralized institutional system and at reform proposals to strengthen the role of the federal government (none of which was enacted).

## Federalism and (Active) Social Policy

As pointed out by Obinger, Castles, and Leibfried (2005a, 29), given the variety of institutional arrangements under the rubric of federalism, one should not expect to find uniform effects on social policy across countries. This observation notwithstanding, a few findings emerge rather consistently from the literature. First, federalism has generally been considered an obstacle to the development of public welfare states; second, federalism can promote policy innovation within the constituent units; and third, federalism can limit the extent of retrenchment in social programs in the current context of permanent austerity (Leibfried, Castles, and Obinger 2005).

Of these effects, the one we are most interested in is the promotion of innovation. We can expect this effect to be particularly relevant to the reorientation of social programs toward the promotion of labor market participation. In fact, moving nonworking clients back into jobs requires new tools that are not always

easy to develop. Having “laboratories” in the constituent units that test different tools and approaches could constitute an advantage for federal welfare states. In the literature on federalism and social policy we do find a few authors who have emphasized the innovation-promoting role that federalism can play. The constituent units have the room for manoeuvre to develop new policies. These may then spill over to other units or even to the federal level, contributing to an overall expansion of social policies (Pierson 1995, 470; Obinger, Castles, and Leibfried 2005a, 42; Leibfried, Castles, and Obinger 2005, 340).

In the literature one finds a few examples of this mechanism. One of them is the introduction of health insurance in Saskatchewan, later generalized to the whole of Canada (Pierson 1995). Additional examples are the Swiss factory law of 1877 which was based on the experience made earlier in the canton of Glarus, and the law on workers compensation adopted by Ontario in 1914 that also spilled over to the entire Canadian federation (Leibfried, Castles, and Obinger 2005, 343). In these cases, constituent units were confronted with a new social problem, the lack of workers’ protection for given contingences, and tried to solve it on their own, by innovating.

Active social policies are also about solving a new social problem: the tendential increase in the size of the nonworking population that is supported by social programs. This is a trend that has characterized virtually all advanced welfare states over the last two to three decades, including Switzerland. We would expect the Swiss highly decentralized social assistance system to provide ideal conditions for fast innovation in responding to the rise in the caseload.

The emergence of a new, employment promoting function within European welfare states has arguably also had an impact on the politics of social policy, which may have some relevance for our research questions. Häusermann, for example, has highlighted the potential for coalition building opened up by this transformation (Häusermann 2010, 2012). Bonoli (2012, 2013) has emphasized the credit claiming potential of the new active policies. These policies can be attractive to policy makers for several reasons. They have a win–win flavor, as they promise to help disadvantaged people without reducing labor supply. They have a modern image, facilitated also by the gender equality aspect of promoting female employment. But above all they are likely to be supported by the middle classes in so far as they promise to reduce inactivity, benefit dependency and ultimately the welfare bill. Naumann and Morgan make similar arguments in relation to childcare (Naumann 2012; Morgan 2013).

The credit-claiming potential of the new policies may result in competition among jurisdictions for the control of the relevant policy fields. One among very few studies on this issue has highlighted precisely this mechanism. In their account of childcare expansion in Australia and Canada, Mahon and Brennan show that childcare in both countries used to be a service meant above all for highly

disadvantaged families and largely left to the local level. However, as it became a middle-class service, the federal governments in both countries stepped up their involvement in this newly strategic policy field. In Australia, this development simply led to more centralization. In Canada, centralization concerned essentially the English-speaking provinces, with Quebec managing to retain control over this now politically relevant policy field (Mahon and Brennan 2013). As welfare states are reoriented toward employment promotion, we can expect this type of competition for credit claiming among jurisdictions to be common currency in federal countries.

### **Federalism and Welfare-to-work Policies**

The literature on federalism and social policy helps us develop plausible hypotheses with regard to the possible impact of federalism on activation-oriented reforms. However, an additional element needs to be taken in consideration. It refers to the substantial differences between the early days of social policy making and the current context of reform. The innovation-promoting role of federalism in social policy was strongest at the very beginning of the development of western welfare states (late nineteenth/early twentieth century). Confronted with a new social problem, subnational jurisdictions which enjoyed control over social policy making could quickly respond by setting up new schemes. Sometimes, what they did was successful, and the schemes became national. Today, pressure for change comes above all from the increase in caseloads (and the cost that this generates), and the reform process takes place in a context where various social programs exist. As a result, to deal with rising caseloads, the jurisdictions in federal system are likely to have two options: put clients back into jobs, or offload them onto schemes that belong to a different jurisdiction. Of course, this applies to both the federal and subnational jurisdictions. This practice, identified in several empirical studies, is known as “cost shifting.” It may be a very rational response to the rise in caseload in the context of a multi-tiered welfare state.

On the basis of these considerations, there are at least three different ways in which federalism can affect the process of welfare state reorientation toward the promotion of labor market participation.

#### *Cost shifting*

The reorientation of social policies toward activation generally entails putting some pressure on individual programs to reduce the caseload by getting clients into jobs. However, in the context of a multi-tiered welfare state, policy makers and managers of social programs may find alternative, and easier, routes to lower caseloads, such as moving clients onto programs that are under the responsibility of other jurisdictions. This practice, referred to as “cost shifting” in the literature (Overbye et al. 2010), is likely to be particularly attractive in federal systems where different

jurisdictions carry the financial responsibility for different programs and where they enjoy large fiscal autonomy.

Cost shifting can be performed in at least two different ways: *within the rules* and *by changing the rules*. Cost shifting *within the rules* entails using the room for manoeuvre allowed by current institutional structures to favor the transfer of clients to a different program. The clearest example of this practice, observed in federal countries like Germany and Switzerland, is the provision of temporary employment to able-bodied social assistance clients. Often, these temporary jobs have no other objective than allowing clients to obtain a sufficient contribution record so as to be able to claim federally financed unemployment insurance and leave social assistance (see [Hassel and Schiller 2010](#) on Germany. On Switzerland see below and [Bonoli and Hausermann 2011](#)).

Cost shifting can also take place *by changing the rules*. In this case it refers to reforms that result in a transfer of clients to different programs. For example, legislators may decide to impose stricter qualifying conditions for invalidity and unemployment insurance benefits, such as a longer contribution period. This will most likely result in the exclusion of some clients from these insurance programs; these clients may then end up on last resort safety net programs like social assistance.

Federations such as Switzerland or Germany provide strong incentives to policy makers to play the cost shifting game. Policy makers, either at the federal or at the constituent units level, are responsible for balancing their own budget, and have no incentive to minimize overall social expenditure. Since both financing and control are left almost entirely to different jurisdictions, one can expect the cost shifting option to be particularly attractive. This is also the case because social assistance clients are generally not an easy-to-place group. It seems plausible to assume that cost shifting is a much more effective way to reduce caseload than putting clients back into jobs, even though it goes against the explicit aim of the reorientation of social policy toward activation.

### *Promotion of innovation*

The reorientation of social policies toward activation requires a fair deal of innovation in welfare states whose primary objective was the provision of income security. In this respect, we can expect federal countries to have an advantage, since constituent units can experiment with new interventions that, if successful, can be generalized at the national level. However, innovation can be of different kinds. Building on our first effect, we can also expect constituent units to be creative in developing ways to shift costs onto other jurisdictions. We call this second kind of behavior “*opportunistic innovation*.” In this case policies are created not to pursue the overarching policy goal of putting nonworking clients back into jobs but to offload them onto a different program.

### *Credit claiming conflicts among jurisdictions*

The fact that active social policies open up new opportunities for credit claiming creates the possibility that in federal systems, different jurisdictions will compete for the control of the relevant policy. Political actors at both the national and the subnational level may fight to be seen as the promoter of popular policies, such as help the long-term unemployed find a job.

In the empirical part of this article we will show the role played by these effects in the response to rising social assistance caseloads since the 1990s in Switzerland. Before that, we briefly present the structure of the welfare state in Switzerland.

## **Social Security in Switzerland**

The Swiss welfare state can be described as a liberal-conservative multi-tiered welfare state (Bonoli 1997; Obinger 1998; Armingeon, Bertozzi, and Bonoli 2004). In a typical conservative fashion, the bulk of social expenditure has traditionally been assigned to income replacement programs, mostly old age pensions. Provision against invalidity and short-term unemployment is also generous by international standards. On the other hand, services for families (childcare), for older people and active labor market policies have traditionally played a minor role. It is only in recent years that we witness a clear reorientation of the Swiss welfare state putting more emphasis on these programs.

The federal structure of the state has resulted in a highly fragmented multi-tiered welfare state. The big spending programs (old age and invalidity pensions, health insurance, and unemployment benefit) are controlled by the federal level. In contrast, family policy and social assistance are almost entirely the responsibility of the cantons.

### **Social Assistance**

Social assistance is entirely regulated and financed by the cantons. In addition, many cantons allow large room for manoeuvre to the municipalities (within the limits set by cantonal law), making the scheme extremely diverse across the country. Federal-level involvement in social assistance is limited to an article in the Federal constitution which entitles every resident to a minimum subsistence income, and *de facto* forces cantons to run social assistance schemes. A bigger role is played by a professional association, the Swiss Conference for Social Assistance (SKOS/CSIAS). It publishes guidelines on various aspects of social assistance, including benefit levels. These guidelines are not binding but are generally followed more or less strictly by a majority of the cantons. The result, however is a fair degree of variation across cantons, with usually urban and French-speaking cantons being more pro-welfare and rural and German-speaking cantons being more conservative (Obinger 1999).

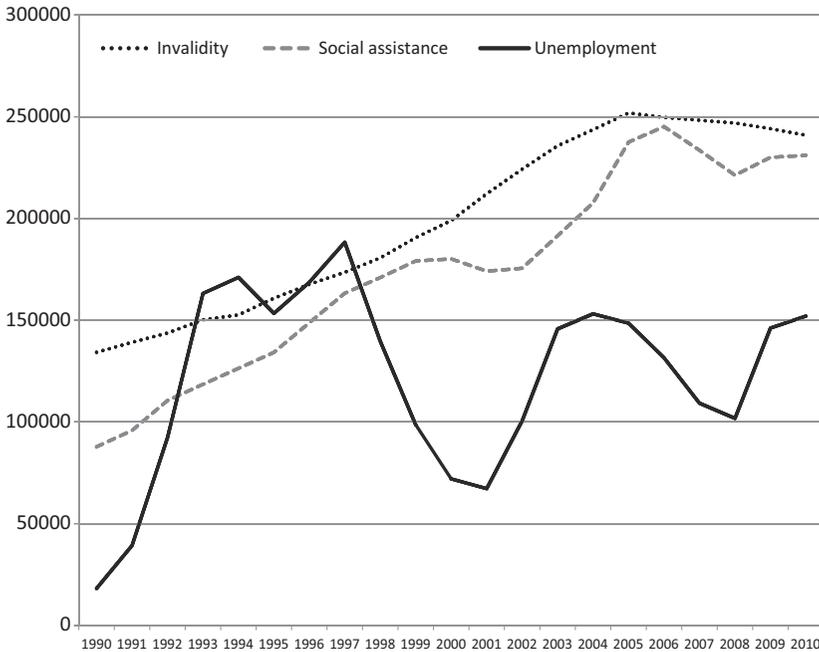
The recession of the 1990s resulted in the first serious unemployment hike since World War II, leading to rising caseloads in the main social security programs (figure 1). Unemployment insurance experienced the sharpest increase, but then the caseload followed the economic cycle. In contrast, both social assistance and invalidity insurance saw caseloads increase less rapidly, but constantly until the mid-2000s. These developments prompted a fundamental rethinking of some key features of the Swiss welfare state, following a wider European trend, toward activation (Bertozzi, Bonoli, and Ross 2008; Champion 2011). A major reform of the unemployment insurance scheme was adopted in 1995. It introduced time limits on benefit reciprocity and at the same time vastly increased the funds and instruments available for active labor market policy. The reform of invalidity insurance took somewhat longer, but significant steps toward the promotion of labor market re-entry were taken in 2003 and in 2007 (4<sup>th</sup> and 5<sup>th</sup> revision of invalidity insurance).

Unemployment and invalidity insurance, two federal social programs, were reoriented toward activation rather rapidly. As one would expect, this transformation generated some political controversy, which managed to delay the adoption of the relevant reforms. In the end, however, both unemployment and invalidity insurance reflect rather well the new approach that is now mainstream in Europe (Bertozzi, Bonoli, and Ross 2008; Champion 2011). Things went rather differently for social assistance.

## Responding to the Increase in Social Assistance Caseloads

Confronted with an unprecedented and seemingly unstoppable rise in the number of social assistance clients, the cantons, as the jurisdiction in charge of social assistance, came under pressure to develop new policies. In this section we provide a brief account of the responses developed since the early 1990s.<sup>3</sup> We focus on responses that have been adopted or discussed within the current highly decentralized institutional set up. However, more or less in parallel, a debate developed on a bigger reform that would have resulted in a more substantial involvement of the federal level in social assistance.

In retrospect, we can identify three stages in the response to the rise in social assistance caseload. First, the initial reaction to rising numbers of clients was clearly cost shifting. However, political actors both at the cantonal and the federal levels soon realized that the cost shifting game led to suboptimal outcomes, with much energy and funds going to shuffle clients across programs rather than to put them back into jobs. As a result, since the early 2000s, one of the main developments in social assistance policy has been the promotion of collaboration among agencies. However, collaboration in the real world of public administration turned out to be less attractive than it was



**Figure 1** Number of clients of unemployment and invalidity insurance and social assistance 1990–2010.

Source: Champion (2011).

on paper, and as a result in the second half of the 2000s one can see the emergence of policy innovations, mostly in the larger cities and cantons with higher incidence of social assistance reciprocity. This is also when we see the emergence of a debate on a bigger reform that would have allowed for more federal involvement in social assistance.

### The Cost Shifting Game

In many cantons, the initial response to the fast increase in the unemployment rate in the early 1990s was to set up job creation programs. Often, these were meant to provide employment to unemployed people who could not find a job during the eighteen months covered by unemployment insurance and would as a result have to rely on social assistance. Typically, clients would receive a contribution-paying job in the public or in the nonprofit sector, lasting twelve months, just enough to entitle the claimant to a new eighteen-month period of unemployment insurance. These interventions had various objectives: to reduce the hardship experienced by long-term unemployed people who were as a result able to avoid the stigma of social assistance but also to shift costs upwards to the federal level.

It is impossible to know the true extent of these practices. In some cantons, job creation programs with an explicit objective to recreate an entitlement to unemployment insurance were implemented rather openly. This was the case, for example, of Geneva, which ran a job-guarantee scheme for unemployed people unable to re-enter the labor market during the eighteen months' duration of unemployment insurance benefits. The duration of the job was twelve months, that is, the required contribution period for obtaining federal unemployment benefit. The scheme was considered by labor economists as one key reason behind the bad performance of Geneva in terms of its unemployment rate (de Coulon, Flückiger, and Vassiliev 2002). It was also a source of constant tension between Geneva and the federal government. The scheme was abandoned in 2009 after much pressure from the federal authorities.

Other cantons developed similar practices, but in a less visible way. Neuchâtel, for example, rather than guaranteeing a twelve-month employment spell, developed a means-tested job guarantee scheme where jobs were limited to six months, but renewable once (Bonoli, Champion, and Schlanser 2011). A similar approach was followed by the Canton of Fribourg, while the canton of Vaud provided jobs lasting twelve months to unemployed social assistance clients aged over fifty. Although there is no systematic overview of the extent of these practices, it is a certainty that many other cantons and municipalities used the cost shifting strategy to avoid financial responsibility for the long-term unemployed. In 2008, the federal government estimated their cost for the unemployment insurance scheme at 90 million Swiss francs per year, or 2.2 percent of spending on unemployment cash benefits (Conseil fédéral 2008, 7046). A reform of the federal unemployment insurance scheme in force since 2012 has finally outlawed these practices.

Even though badly documented, cost shifting from the cantons toward unemployment insurance was at least visible in the cantonal laws that provided jobs to nonworking social assistance claimants. It could be argued that cost shifting was also aimed at shifting clients onto the other large federal social insurance program: invalidity insurance. In this case, the cantons and municipalities were actively assisting social assistance clients in filing applications for invalidity pensions. There is also anecdotal evidence of cantonal social assistance agencies paying the legal fees of social assistance claimants whose first application for an invalidity pension had been turned down and who were encouraged to file an appeal.<sup>4</sup> It is debatable if these practices can be considered as cost shifting, or the simply reflect the wish to apply the law correctly. They are nonetheless in total contrast with the discourse of interagency collaboration promoted by most actors.

In the 1990s and early 2000s the cantons clearly played the cost shifting game "within the rules." They exploited the room for manoeuvre that the legislation provided in order to shift clients back to the federal level. Their objective was to

reduce social spending, but in the end this approach turned out to be only moderately effective. In the meanwhile, the federal government, also played a sort of cost shifting game, but it played it by “changing the rules.” In fact, faced with rising caseloads in both unemployment and invalidity insurance, the federal government responded not only by introducing activation but also by restricting access to these two schemes. This has most likely resulted in a partial transfer of clients from the federal social insurance system to cantonal social assistance (Fluder et al. 2009).

### **Interagency Collaboration**

After a few years of rising caseloads in all social programs, cost shifting began to be seen as an inefficient way to deal with this problem. As a result, in the early 2000s, we see the emergence of a debate on interagency collaboration. One idea behind this notion is to make available to social assistance clients the tools and capabilities for promoting access to employment that have been developed in the federal schemes: unemployment and invalidity insurance. The idea of interagency collaboration came from below: that is, the cantons. It was first put forward in a joint declaration of two groups representing cantonal ministries of social and economic affairs (CDEP and CDAS 2001). Their objective was to promote a common strategy between delivery agencies to reduce delays and develop customer-friendly administrative procedures and support social and labor market integration.

Initially, inter-agency cooperation was strongly supported by all the relevant actors. The federal government saw in it an opportunity to improve the system without having to interfere with cantonal sovereignty. The cantons saw it as an opportunity to reduce expenditure on social assistance and as a first step toward a bigger reform (CDEP and CDAS 2001).

From the beginning, however, inter-agency cooperation was conceived as a minimalistic and pragmatic form of coordination (Gächter 2006). The intention was to tackle the fragmentation of social security by developing a somewhat informal type of cooperation taking place at the delivery level among case workers. A slightly more ambitious collaboration initiative was launched in 2005 under the name of MAMAC.<sup>5</sup> This project originated from a common request by the inter-cantonal associations of the three delivery agencies, but the project was led by the federal government. Its key elements were the development of a tripartite cooperation framework targeted at beneficiaries with health problems and based on early detection, a tripartite assessment and definition of a reintegration plan that was mandatory for the three delivery agencies (Champion Céline 2008). The MAMAC pilot generated high expectations with regard to its capacity to deliver a

real improvement in terms of activating social security claimants in general and social assistance clients in particular.

An evaluation of the MAMAC pilot published in 2010 showed that expectations had been too high. The evaluation came to the main conclusion that, despite a good assessment by the clients and case workers, MAMAC did not lead to higher employment rates nor did it reduce welfare expenditure. Moreover, from an administrative point of view, the evaluation concluded that collaboration procedures were too complex (Egger, Merckx, and Wüthrich 2010). Surprisingly, despite these disappointing outcomes, the federal government decided to pursue the road of inter-agency cooperation and further develop it. It set up two national coordination groups and a permanent but small federal office in charge with redefining the future objectives and principles of inter-agency cooperation.

While officially both the federal government and the cantons continued to support interagency collaboration, those in charge of social assistance in the cantons were becoming increasingly dissatisfied with the overall strategy. They felt that the federal government pursued an ambiguous strategy. On the one hand, it promoted collaboration; on the other hand, it adopted reforms that restricted access to federal programs and thereby continued to play the cost shifting game in spite of emphasis on collaboration (Darioli 2006). The cantons, however, could not simply walk away from interagency collaboration. The lack of “in house” placement services and the more limited financial resources make social assistance more dependent on collaboration than the federal programs. At the same time, the failure of collaboration provided incentives for the cantons and the municipalities to develop a new approach to activation independent from the federal government.

### **Innovation from Below**

It is fair to say that the development of innovative solutions capable of putting social assistance clients back into jobs was not the first reaction to the rise in caseloads. On the contrary, interest for such an approach developed after the (perceived) failure of the two strategies discussed so far: cost shifting and interagency collaboration. During the 2000s many cantons and municipalities, typically larger towns, developed sometimes creative ways to promote labor market participation of social assistance claimants. Some larger municipalities set up their own placement service for social assistance claimants. A survey carried out by CSIAS/SKOS in twenty localities found that about a quarter had developed such tools (Pfister 2009). Other innovations adopted have stirred up debates at the national level. This is the case of the city of Zurich, which in the early 2000s set up a program of “part-wage jobs” (*Teillohnjobs*) which consists of partly subsidised permanent jobs for social assistance beneficiaries. A similar program has been in operation in Geneva since 2009 (Marmy 2012).

Overall, however, the available information suggests that the majority of social assistance offices continue to see themselves as responsible for social support rather than for promoting labor market participation. The SKOS/CSIAS survey found that most of the programs that were available to social assistance claimants were aimed at “social inclusion,” not employment. Out of twenty offices surveyed, only six had a “coaching” program that included job search activities, and only three provided time-limited subsidies to employers (Pfister 2009). A more recent survey carried out at the cantonal level found similar results (Bonoli and Champion 2013). Most of what cantons and municipalities do when they provide services to social assistance claimants has a strong social support dimension and is relatively weakly oriented toward helping clients finding market employment.

In addition, only a small minority of clients has access to such programs. Exact figures are not available, but different estimates put the proportion of social assistance claimants who have access to social integration or labor market programs at between 8 and 15 percent of adult claimants without jobs (Bonoli and Champion 2013). In contrast, about 30 percent of unemployment insurance clients have access to such measures (Erb 2010).

Although there is limited information on what goes on in the Swiss social assistance system, it appears that the reorientation of the scheme toward the promotion of labor market participation has progressed slowly and unevenly.

### **A more profound structural reform?**

While the cantonal and the federal government were experimenting with different responses to the rise in social assistance caseloads, actors at both levels voiced their concern with the high level of fragmentation of the Swiss welfare state and initiated a debate on a more far-reaching reform that would have increased federal involvement in social assistance. In a way, this is what had happened in Germany, where the federal government, after several years of rising social assistance caseloads, came close to taking over the managing of activation for able bodied social assistance clients in the context of the 2005 Hartz-IV reform, which radically transformed the provision of employment services for social assistance clients. Interestingly, before adopting this major reform, Germany had gone through the various stages we just described for the Swiss policy trajectory: the cost shifting game and an attempt at collaboration. In the end, however, German policy makers at the federal level decided that the activation of social assistance clients was a task that could not be left to the municipalities and adopted a new institutional set up where this task is performed jointly by the municipalities and the federal employment agency, in a context of greater overall involvement of and control by the federal level (Fleckenstein 2008; Hassel and Schiller 2010). Could something similar happen in Switzerland?

### **A Federal Framework Law on Social Assistance?**

The first attempt at increasing federal involvement in social assistance in Switzerland consisted of a proposed new federal law on social assistance. Toward the mid-2000s, at the request of the main intercantonal organizations representing social assistance, including the CSIAS/SKOS, discussions started within the Social security commission of the National Council (Lower chamber of parliament) concerning the possibility of a federal framework law on social assistance. In Switzerland, framework laws are used in matters of strong cantonal sovereignty, and leave large room for manoeuvre to cantons while at the same time imposing some minimum requirements. After two years of discussions, the idea was dropped in 2006 when the majority of the Commission rejected it. The argument put forward was that social assistance had to remain a competence of the Cantons, especially since inter-agency cooperation involving social assistance was being developed (CSSS-CN 2006). The rejection resulted in the abandonment of debate on a federal framework law on social assistance for several years.

### **Parliamentary Interventions for Major Restructuring**

Around the mid-2000s a number of parliamentary interventions were made, raising the issue of the fragmentation of the social security system. One parliamentary initiative<sup>6</sup> proved rather influential. It asked Parliament to prepare a reform aimed at reorganizing the existing federal insurance programs and some cantonal schemes into four broad areas: old age, health care, loss of income and integration, and family (Services du Parlement 2007).

Submitted in 2007, the parliamentary initiative was dismissed by the Commission on Social Security the following year after two rounds of discussion and hearings with external experts. The debates that led to the rejection of this initiative are nonetheless instructive. Interestingly, the arguments against the reform were not based on its content. On the contrary, opponents justified their position on grounds that such a reform would probably not be politically feasible, or if it were, so many compromises would be needed that the original intention to simplify the system would be lost. As a Christian-Democrat MP and member of the Commission put it:

Theoretically, yes [there are potential gains in such a reform]. But no one really believes it, because we fear that this turns into a gargantuan exercise which eventually ends up in an even more complex system than it is now. Now it works. We can change it, hoping that it will work better, but whether it will be really more efficient is uncertain. It risks destroying the functioning of individual entities; it risks destroying the practical know-how

at the delivery level. All those working in the offices, their knowledge, all that will be destroyed and newly reorganised. And then, you have such a big thing, and will it work better? We don't really see the necessity, and we have no confidence in a better result. So, let's keep the system as it is. (Interview, Christian-Democratic member of parliament 15/09/2011)

Political actors gave some consideration to the option of engaging in a major reform of the social security system, but this idea failed to generate a sufficient level of support to go further. Obviously, they saw both opportunities and risks. In the end, their risk aversion prevailed. Two developments may help to account for the failure of a major reform to make it to the center-stage of political debate. The first was the realization of the complexity involved in such an exercise. Combining federal and cantonal schemes into one simplified and more coherent social security system was bound to generate opposition and controversies, with a good dose of uncertainty regarding possible electoral rewards. Second, the end of the 2000s saw a reversal in the upward trend in the number of disability insurance claimants, and possibly the stabilization of that on social assistance. More generally the good economic climate since the mid-2000s, only briefly disrupted by the crisis in 2009, made social assistance caseloads a less pressing issue.

As a result, political actors saw only limited potential for credit claiming but great risks in championing the cause of a major structural reform. As a member of parliament rather candidly put it:

Political parties will put the issue [of the fragmentation of the social security system] high on their political programmes only if there is a high potential for electoral gains. But this is not a current concern in the population. Look at the five largest concerns. Nowhere can you see that this is a concern, even stated in simpler terms, such as the lack of transparency which could be an indicator for the absence of harmonisation. Their major concerns are unemployment, increasing health insurance costs, immigration, and insecurity. So, no, at the moment, I don't see any potential for electoral gains for this issue (Interview, Liberal-Radical Member of Parliament, August 18, 2011).

Worrying figures of rising caseloads of social assistance beneficiaries, the failure of the initial attempts at collaboration, the inability of cantonal authorities to develop effective welfare to work policies opened up a small window of opportunity for a major reform of the social security system. It was enough to persuade some members of parliament to consider it. However, as they discovered the risks involved in such a reform and as the caseload situation improved, policy makers were quick to abandon the idea.

## Discussion and Conclusion

Switzerland has witnessed nearly a constant increase in the caseload of social assistance since the recession of the early 1990s. During the last twenty years, the number of clients has more than doubled, to reach around 3 percent of the population in 2010. This development, in spite of the government's overall orientation toward retrenchment and active social policy, has failed to spur any significant reform at the national or at the cantonal level. Why? This question is puzzling. In fact, other social security schemes that have seen a similar rise in caseload have been reformed more radically, reorienting them toward activation (Champion 2011).

The lack of formal federal-level involvement in social assistance policy is not a sufficient explanation for this outcome. In fact, given the impressive rise in social assistance caseloads, one could have expected federal-level politicians to get more involved. In a way this is what happened in Germany with the Hartz IV reform, which have transferred the majority of former social assistance clients on a new federal means-tested unemployment benefit, known as unemployment benefit II (Fleckenstein 2008; Hassel and Schiller 2010). Why did Swiss federal policy makers fail to exploit an opportunity to claim credit by doing something against the seemingly unstoppable rise in social assistance caseloads? The evidence presented above suggests a number of explanations.

First, the issue was given consideration by federal politicians. However, it seems that they concluded that a federally led reform of social assistance was a high-risk strategy, with an uncertain payoff, whether in terms of efficiency or in terms of electoral gains. They clearly realized that this was a high-risk area of political intervention. Championing structural reforms, may upset subtle federalist equilibria, and result in political damage for its proponents. Some of them played with the idea, only to abandon it after a rather short debate.

Second, social assistance caseloads stopped rising in the mid-2000s, so that when the issue of a major reform of the social security system was finally put on the agenda (2006–2008) the problem was beginning to be seen as less pressing. Lower caseloads, of course, made it more difficult to build a credible credit claiming strategy around a major reform of social security.

Overall, it seems that Swiss policy makers carefully weighted the pros and cons of embarking on a major reform that would have transformed the social security system. They came to the conclusion that the risks outweighed the potential benefits. We can contrast this development with what had happened in Germany a few years earlier with the adoption of the Hartz IV reforms. In that case, problem pressure was clearly not diminishing. In addition, the more centralized nature of German federalism probably made it less risky for federal politicians to get involved in matters for which the *Länder* and the municipalities were mostly responsible.

What does the account of the (failed) reform of Swiss social assistance tell us in relation to our initial research question? On the basis of the existing literature, we argued that we would expect the reorientation toward activation to encourage both cost shifting and innovation. The account presented above has shown that the cost shifting game has played an important role in the process. First, the cantons and the municipalities clearly played it “within the rules,” by using job creation programs to move social assistance beneficiaries back to the federal level. In a way, the federal level played it too, but it played it “by changing the rules,” that is, by restricting access to federal insurance programs. These restrictions have contributed to the increase in the social assistance caseload (even though the overall impact may be limited, see [Fluder et al. 2009](#)).

The rise in the number of social assistance clients also spurred innovation. In the first instance, however, innovation was mostly of an opportunistic type and geared toward putting clients back onto federal schemes. Opportunistic innovation included job guarantees for those still unemployed after the 18 months covered by federal unemployment insurance or means-tested job creation programs, more directly targeted on those who would otherwise end up on social assistance. To see the development of innovation that better reflects the overall orientation of social policy making, that is, the promotion of labor market participation, one has to wait until the mid-2000s, or more than a decade of rising caseloads. It is only after the failure of cost shifting and collaboration that some cantons and municipalities began trying new ways to help social assistance claimants back into jobs.

Encouraging opportunistic behavior can be seen as a somewhat perverse side effect of a federal welfare state. Incentives, instead of promoting innovation that improves the effectiveness of public policy, encourage actors to shift clients (and costs) to a different jurisdiction. The fact that both the cantons and the federal government adopted this strategy, arguably contributed to delay the reorientation of social assistance toward proper activation. Future research should establish if opportunistic innovation is limited to the field of social policy, or can be observed more generally in federal countries.

The third effect we identified stated that new prominence of traditionally marginal policy areas such as social assistance will result in competition for credit claiming among jurisdictions. It is not supported by the evidence. If anything, actors seemed to be more motivated by the wish to avoid having to deal with the issue of social assistance rising caseloads than to “own” it. In fact, the reform process did not go far enough for competition to become an issue. Since federal politicians concluded that the prospect of being able to claim credit with a reform of social assistance was too risky, a conflict over who should be seen as responsible for the reform never developed.

What are the implications of these findings for our understanding of the link between federalism and social policy? Clearly the innovation-promoting effect is

less relevant today than in the early days of social policy making. Different jurisdictions find it easier to shift clients and cost onto other jurisdictions rather than try to develop tools capable of putting them back into jobs. This is a clear effect of the multi-tiered structure of the Swiss welfare state. Such an effect is likely to be particularly strong in countries where different subnational jurisdictions are responsible for their own budgetary equilibrium, as is the case in Switzerland. In Germany, where unlike in Switzerland, subnational units do not have autonomous tax-raising powers (Braun 2003; Boadway and Watts 2004), off-loading clients onto municipal social assistance would not leave the Federal government off the hook. Still, the municipalities did play the cost shifting game in Germany too.

Opportunistic behavior of the kind we identified in this article is likely to be promoted by federalist arrangements in general. However, the Swiss case provides an extreme version of federalism in terms of fiscal autonomy of the different jurisdictions. In this respect, it creates the ideal conditions for the emergence of such behavior. We can as a result expect it to emerge in other federal countries but probably to a lesser extent. The German experience, where the various actors did engage in cost-shifting practices, but for a limited time only, illustrates this point. According to Hassel and Schiller, a major factor that prompted the large Hartz IV reform was precisely a generalized crisis of municipal finances, for which the Federal government had to take responsibility (Hassel and Schiller 2010, 172–83).

Our research design, the choice of an extreme case, allowed us to highlight a potential new effect of federalism on social policy, that is, the cost shifting game played by all jurisdictions. At the same time, our approach limits our ability to generalize what we have observed. We hypothesize that this effect will be stronger in federal countries where the constituent units enjoy strong fiscal autonomy and particularly tax-raising powers. The background comparison with Germany, a country where the constituent units have very limited autonomous tax raising

## Appendix

**Table A1** Interviews

No	Interviewed person	Date conducted
1	Executive at the Ministry of economic affairs	September 1, 2011
2	Social assistance representative 1	August 18, 2011
3	Social assistance representative 2	August 22, 2011
4	Social-Democratic member of parliament	August 26, 2011
5	Christian-Democratic member of parliament	September 15, 2011
6	Liberal-Radical member of parliament	August 18, 2011
7	Swiss People's Party member of parliament	September 21, 2011

powers (Braun 2003; Boadway and Watts 2004), suggests that this hypothesis is likely to find some empirical support.

## Notes

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1. In his 1995 article, Paul Pierson rightly noted that “comparative work on federalism is rare, and comparative research on the consequences of federalism for social policy is nonexistent (Pierson 1995: 450). Since then a few comparative studies have been published (see e.g.: Obinger, Leibfried, and Castles 2005b; Kazepov 2010; Mahon and Brennan 2013).
2. In line with the European use of the term, we understand by “social assistance” a last resort safety net that provides access to minimal financial resources to individuals who do not have access to what is considered as minimum living income. The vast majority of European countries run national or regional social assistance schemes.
3. This case study is based on a broad range of sources, including official publications, interviews with actors (see appendix table A1 for details), press reports, minutes of parliamentary debates. A more complete version of the case study can be found in Champion 2013.
4. Information received from various different and unrelated sources, working in the field of both social assistance and invalidity insurance.
5. MAMAC stands for, Medizinisch-Arbeitsmarktliche Assessments mit Case Management.
6. A parliamentary initiative filed by the Social democratic MP Stéphane Rossini.

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