Chapter 10
Sequencing social investment reform in Germany and the Netherlands

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For Kees

Kees and I were introduced to each other by our mutual friend Maarten Hajer, I think in the summer of 1988, in Amsterdam in some café along the canals. Maarten, who like me was doing a DPhil at Oxford, brought us together as Kees and I were working on similar topics. Kees and I hit it off. I had some difficulty understanding what precisely the European University Institute (EUI) was about, but I admired his supervisor Gøsta Esping-Andersen whom I had started to read. Thirty years later, I ended up as a professor at EUI. In between, Kees and I co-wrote a fair number – but still too few – articles and book chapter on the welfare state, policy learning, and consensus politics. Every time we received the peer reviews, demanding that we better explicate our argument without extending the word limit, I panicked. Kees never: he always volunteered to make painful cuts with great acumen. For this contribution, I developed an argument on Bismarckian welfare state change for which Kees is the leading expert. For sure, the comparison between the Netherlands and Germany I make below, would have been better *and* more concise if co-authored with Kees. Well, this is an invitation to Kees to write together again.

Introduction

European welfare states have experienced a surge of reforms ever since the 1980s. In the new millennium, the notion of 'social investment' gained purchase as a reform compass to demographic ageing and the rise of the knowledge economy (Morel, Palier and Palme, 2012; Hemerijck, 2013). Based on aggregate spending data, Emanuele Ferragina (2022) observes a so-called 'double movement', a long-term binary transformation of sobering up social protection transfers, whilst expanding employment-oriented social policies.

According to Ferragina, the 'double movement' has watered down typical welfare regime differences between liberal-conservative Anglo-Saxon, social democratic Scandinavian, and Bismarckian continental welfare states. About a decade earlier, Kees van Kersbergen and I (2012), and later with Barbara Vis (Vis, van Kersbergen and Hemerijck, 2014), based on two qualitative assessments of comparative reform pathways, discerned a similar trend of 'contingent convergence' across European welfare states, with social investment reform slowly but surely gaining the upper hand.

Of course, social investment convergence trailing the double movement has been anything but linear. It is worth recalling how in the final chapter of his seminal *The three worlds of welfare capitalism* from 1990, Gøsta Esping-Andersen conjectured starkly divergent welfare state futures, intimating that the Nordic regimes were facing the fiscal limits to welfare generosity cum high taxation, that the Anglo-Saxon models were facing deep inequalities, and that the Bismarckian systems were confronting a spectre of 'welfare without work'. At the time, Esping-Andersen was in no position to reflect on whether different regime-specific vulnerabilities would bring about reforms to 'put things right'.

With the benefit of hindsight, we are far better positioned to explore – empirically and theoretically – *why, how,* and *when* countries turned to social investment priorities and/or pursued 'double movement' reform pathways. Being singled out by many scholars in the late 1990s and early 2000s as the most 'reform resistant' of the three worlds of welfare capitalism, these questions are particularly pertinent to the Bismarckian regime (van Kersbergen, 1995; Scharpf and Schmidt, 2000; Manow and Seils, 2000). My own assessment from 2013 was that the Bismarckian welfare state had transformed from a passive, male-breadwinner, and insider-biased, social insurance welfare state into an active, dual-earner and more gender-balanced, social investment welfare state. Even more astonishing was how mainstream Christian democratic parties – erstwhile strongholds of conservative family values – have come to embrace gender equity and support dual-earner household services without much political resistance.

This contribution reconstructs the process of welfare recalibration from a male-breadwinner model to the more gender-balanced

dual-earner welfare state in Germany and the Netherlands. I will argue that the continental social investment turn was *sequentially ordered*, involving three – intimately related – stages. Starting off with the typical regime-specific policy failure of 'welfare without work', as rightly anticipated by Esping-Andersen, by the late 1980s for the Netherlands and the early 2000s for Germany. Once the strategy of labour supply reduction was brandished as a failure, this opened the political space for an intrusive reform corrective, including wage restraint, benefit cuts, curtailing eligibility, labour market deregulation, and tightening financial and administrative controls over social insurance funds and employment services. Next, to the extent that the initial corrective of a painful retrenchment-deregulatory 'price policy' paid off, in terms of service sector job growth, especially for women, policy makers in the Netherlands and Germany, in the third stage, turned to a more positive 'volume policy' reform endeavour of active labour market policy and dual-earner family service provision. The remainder of this contribution is organized into four sections. Section two lays out the theoretical perspective of timing and sequencing in post-formative welfare politics. Sections three and four trace the three-pronged welfare recalibration trajectories in the Netherlands and Germany, respectively. Finally, section five ends on a note of moderate optimism about the staying power of social investment provision in Germany and the Netherlands.

Timing and sequencing in welfare reform politics

In recent contributions, two rival explanations vie for causal adequacy in explaining transformative welfare reform. On the one hand, 'electoral turn' scholars explain reform by partisan competition representing social-consumption and social-investment electoral cleavages (e.g. Beramendi et al., 2015; Gingrich and Häusermann, 2015). On the other hand, there is the institutionally informed explication of gradual but transformative change, developed originally by Streeck and Thelen (2005). Along these lines, Bruno Palier and Kathy Thelen (2010) observe processes of labour market dualization in France and Germany, which they explain in terms of the transformative mechanism of 'policy drift', e.g. the slow erosion of existing policy legacies in response to secular socioeconomic change.

Theoretically, it is important to recognize that both Beramendi et al.'s 'electoral turn' and Palier and Thelen's 'dualization drift' explanations are based on a redistributive understanding of the welfare state. The electoral-turn explanation revolves around the zero-sum trade-off between social consumption and social investment spending, under conditions of relative austerity. Similarly, the dualization drift conjecture revolves around a zero-sum predicament privileging labour market insiders to continue to benefit from male-breadwinner employment and social protection at the expense of a growing outsider pool of precarious workers. Welfare politics is not simply distributive politics. Social investment welfare provision aims to enhance people's opportunities and capabilities to resolve social risks typical of post-industrial societies whilst ensuring high levels of employment in the economy, thus bolstering the fiscal 'carrying capacity' of the welfare state. As such, early childhood education and care, vocational training over the life-course, (capacitating) active labour market policies, work-life balance policies like (paid) parental leave, lifelong learning and long-term care effectively transcend the distributive logics of 'electoral turn' and 'dualization drift' (Hemerijck and Matsaganis, 2023).

Yet, there is a possible quandary of time inconsistency, with e.g. standing social consumption commitments weighing down on the fiscal space of social investments. This is where the theoretical lens of reform timing and sequencing gains prominence. Giuliano Bonoli (2007) was first to advance an explanatory account of why social investment reform took root in Scandinavia but not on the European mainland. According to Bonoli, because deindustrialization predated the acceleration of demographic ageing across Scandinavia, this gave Nordic reformers both the necessary fiscal slack and political space to advance social investment reforms already in the late 1970s. As late de-industrializers, most continental welfare states were unable to muster the fiscal and political resources to develop social investment reforms a decade later, as pension commitments had expanded in the meantime. In short, the continental road to social investment was blocked before it could even be considered. Bad timing matters, but whether social investment reform is consequently impossible across continental Europe mainland remains an empirical question. In everyday politics, policy solutions thought to be impossible often become feasible when they turn obvious.

Alongside the intellectual predilection for distributive politics, ever since Esping-Andersen's 1990s landmark study, another penchant in comparative welfare state research is to conjecture welfare state change in terms of linear reform pathways (Hassel and Palier, 2021; Garritzmann, Häusermann and Palier, 2022a/b). However, as welfare states are made up of portfolios of interdependent policy provisions, ranging from income protection, labour regulation, social capacitation, and fiscal redistribution, reform processes realistically conjoin diverse dynamics across different policy provisions over time (Hemerijck and Schludi, 2000). It is my contention that we should further open up the theoretical perspective of gradual yet transformative change, by e.g. allowing path-dependent dualization 'drift' in social insurance and labour market regulation combined with or followed up by more transformative social investment 'conversion' in other areas of welfare provision. With time, a reform in one policy provision affects neighbouring areas, generating lateral spillover dynamics, further informed by performance feedback mechanisms and their political correlates, which may shift the locus of policy attention from one area to the next, setting in motion a cascade of reforms, the result of which can be a major overhaul in policies, institutions, and political objectives, indeed without any easily identifiable paradigmatic critical juncture.

Due to industrial decline since the 1980s, prospects of jobless growth gave credibility to strategies of labour supply reduction across most continental welfare states. However, when instances of regime-specific labour shedding come to undermine the very contribution-financing base of continental welfare states, reform alternatives previously thought of as too disrupting and politically risky become viable. Next, to the extent that painful reform correctives start to pay off, in terms of economic recovery and employment growth, such 'light at the end of the tunnel' may open avenues for more transformative reforms, inspiring new generations of policy makers to, finally, break with male-breadwinner privilege and to advance more progressive, employment-oriented and gender-friendly reform strategies. This, in a nutshell, I believe conjures up the winding, yet sequentially ordered, road to social investment priorities in the Bismarckian regimes of the Netherlands and Germany, taking root at different moments in time, at different speeds, each with very distinct political and institutional idiosyncrasies.

The Dutch employment miracle and the fateful politics of childcare policy design

The Netherlands was the first continental welfare state in Europe to confront the 'welfare without work' conundrum. This started with a comprehensive social pact in 1982 – the Wassenaar Accord – between the social partners and the centre-right government of Christian democrats (CDA) and conservative liberals (VVD), under the helm of the Christian democrat Ruud Lubbers as prime minister. The Wassenaar Accord combined protracted wage restraint, cuts in social benefits, and labour market flexibilization (Visser and Hemerijck, 1997).

In the process, the Dutch economy experienced an especially rapid increase in female employment from 32.6% in 1982 to 51.1% in 1989. Reflecting on this at the inauguration of the centre-left coalition government of the CDA and the PvdA in 1989, Prime Minister Ruud Lubbers said: 'The changed position of women in our society expresses itself – among other things – in an increasing wish for participation, paid work and an independent income'. From 1993 on, successive centre-left coalitions of social democrats (PvdA) and conservative liberals (VVD), led by Wim Kok, leader of the Dutch labour party, stepped up efforts to curtail the misuse of sickness insurance and disability pensions (Hemerijck and Visser, 2001). More assertively, the Kok administration launched a so-called 'jobs, jobs, and more jobs' strategy of expanding active labour market policies aligned with strong activation requirements.

By 1998, the Basic Childcare Provision Law (Wet Basisvoorzieningen Kinderopvang) was adopted, according to which childcare costs would be shared equally by employers, the state, and parents, based on a market model of demand-financed private provision. The law entailed a compromise between a political preference for liberalization, shared by the VVD and D'66, accommodated a strongly progressive system of income support for childcare, advocated by the PvdA. Although the two purple coalitions under Wim Kok gave an important impulse to increasing the availability of childcare services for working parents, it was the successor Christian-Liberal centre-right government, under Jan-Peter Balkenende, that truly expanded childcare provision in the Netherlands. After a decade in opposition, the CDA was eager to re-order welfare governance away

from Scandinavian-style right-based universalism. The Balkenende administration decided to experiment with social service privatization undergirded by targeted, yet generous, income support for families in the areas of public health, housing, labour market policy and family services, including healthcare, with childcare provision as the poster child of the new approach (Bokhorst and Hemerijck, 2023).

The Childcare Act of 2005 revolved around full liberalization of the childcare market and gave parents the right to choose freely between for-profit and not-for-profit providers, or even to provide home care. Households would receive a monthly subsidy to foot the bill, conditional upon submitting ex-post evidence of their income, employment status, and a contract with a childcare centre and a personal contribution. The novel financial system of targeted allowances was part and parcel of a broader philosophy, popular with both Christian democrats and conservative liberals, that citizens in service-oriented welfare states are best thought of as competent clients capable of making independent choices.

Institutionally, responsibilities for childcare, healthcare, and rent allowances would remain with the relevant ministries, but the implementation of allowances would be organized by the tax office, under the responsibility of the Ministry of Finance. However, the tax office had no experience with public spending, only with tax collection. In the new system, the tax office would become responsible for millions of payments to households. The director general of the tax office, Jennie Teunissen, protested strongly behind the scenes against becoming responsible for two diametrically opposite operations. However, the coalition disregarded her governance concerns.

As the Dutch were embarking on an experiment, without precedent or experience, a policy fiasco was in the making. Initially, the new incentive structure did fulfil the expectation of a doubling of childcare services in the first five years of the new system in sync with increased female employment rates. The new system also proved fairly progressive with its positive effect on net disposable income for low-income families (van Hooren and Becker, 2012). In 2005, parents at the lowest income levels received a sizable fiscal refund covering 63.2% of the total costs and only had to pay 3.5% in contributions. Parents in the highest income brackets received no fiscal compensation. Soon, however, for-profit providers took over

70% of the childcare market, making the Netherlands one of the most marketized and expensive childcare systems in the EU. With so many new providers entering the market, public authorities struggled to maintain quality (Eerkens, 2021). As a dramatic low point, in 2010, a childcare worker was found to have committed large-scale sexual abuse in Amsterdam.

On allowances, problems of implementation and enforcement piled up. On the part of the administration, ICT-systems were ill equipped for such a large and overly complex operation. As relatives and friends were eager to informally care for children, the number of registered childminders increased by 500% in less than half a decade. The tax office prioritized timely payments over monitoring, which meant that unjustified payments had to be reclaimed later, and vulnerable groups ended up in financial distress (Bokhorst and Hemerijck, 2023).

By the mid-2010s, it became evident that unleashing competition through market liberalization in childcare did not have the anticipated effect of lowering costs. State contributions to childcare rose from 1 billion in 2005 to 3 billion in 2010 (Bouget et al., 2015). When the euro crisis hit, the first right-wing government under the liberal Prime Minister Mark retrenched childcare contributions. Defending a raise in parental contributions, VVD Social Affairs and Employment Minister Henk Kamp saidin 2010: ‘Parents pay more for childcare. Thus, they will think harder about whether they really need childcare. And they may look for alternatives such as friends and family. Not that many parents opt to stop working’ (Heister, 2016).

After a widely watched television program showed iconic images of villagers in rural Bulgaria smiling as they withdrew their Dutch childcare allowances from a local ATM, the parliament unanimously supported a new law requiring the tax office to perform ex-ante checks on fraud based on a constitutionally illegal algorithmic risk model for allowance receipt validation.

Austerity continued under the centre-left/PvdA coalition under Mark Rutte. The budget for child benefits did increase somewhat in 2017 but remained among the lowest in Europe. The Netherlands increased childcare allowances in 2015, especially for single parents, and devoted a larger budget to childcare between 2017 and 2020 to improve the quality and accessibility of early-years services.

After many damning evaluations of the childcare allowance system, the de jure responsible minister for social affairs and employment, Labour leader Lodewijk Asscher resigned in 2019. By 2021, the centre-right Rutte III cabinet government resigned. Eventually, cleaning up the mess of faulty childcare design cost the Dutch state €5.5 billion, by far exceeding the entire annual childcare allowance budget (Frederik, 2021). In 2022, the centre-right Rutte IV government promised to repeal the system and to introduce free childcare, probably only for working families, by 2025 – a decision that has been postponed to 2027 to give policy discretion back to the municipalities (Bokhorst and Hemerijck, 2023).

In hindsight, the Dutch recalibration pathway commenced with a retrenchment-liberalization reform corrective in the 1980s, followed by a social investment innovation momentum in the 1990s and early 2000s, based on the principles of wage moderation, flexicurity, and expansion of active labour market policies as well as early childhood education and care to support working mothers. The Dutch social investment momentum came to halt in the wake of the financial crisis. Successive governments of varying political colours generally resorted to austerity, also because the childcare allowance system proved extremely expensive and ungovernable. Throughout the Dutch experience, childcare remained narrowly conceived of as a labour-market policy instrument to ease work-life balance for working families, mostly part-time working mothers, and never as a fully-fledged instrument of early education. This is where the German experience becomes relevant.

German social investment and the advantage of categorizing childcare as education

In the 1970s and 1980s when the Netherlands was struggling with the 'Dutch disease', Germany was riding high as a competitive post-Fordist industrial political economy combining diversified quality production with proficient male-breadwinner social security, employment protection, and vocational training. The recession in the early 1990s, following German unification, produced a sharp rise in unemployment and ballooning public debt, and thus constrained the scope for labour supply reduction by increasing social contributions. More drastic reforms were required. Two attempts

to orchestrate organized wage restraint after the Dutch success, including German Alliance for Jobs of 1995-96 under the premiership of the Christian democrat Helmut Kohl and the 1999 Pact for Jobs, Training and Competitiveness with social democrat Gerhard Schröder as prime minister, failed to live up to high expectations (Manow and Seils, 2000).

In 1986, the German government introduced a maternity leave scheme (Erziehungsurlaub), granting very long leaves of up to three years and a flat-rate child allowance for two years. In 1980s, the female employment rate remained low at 7.8% compared to 20.1% in the Netherlands (OECD, 2021).

The second Schröder Red-Green administration (2002-5) adopted a more assertive reform stance. Triggered by a publication on misleading placement statistics by the Federal Agency for Work (Bundesanstalt für Arbeit), Schröder seized the moment by appointing an expert commission led by Peter Hartz, then head of human resources at Volkswagen. In its final report, the Hartz Commission recommended a fundamental overhaul of the German work and welfare system (Fleckenstein, 2008). The most radical Hartz IV reform, enacted in 2005, merged provision of unemployment assistance for long-term unemployed and social assistance for those in need without an employment record into the new, tax-financed Unemployment Benefit II (Arbeitslosengeld II) to complement the more traditional unemployment insurance provision, Unemployment Benefit I (Arbeitslosengeld I). The duration of unemployment insurance payments was radically reduced from 32 to 12 months (18 months for older workers). The reform intended to reduce high levels of long-term unemployment and provide equal access to employment services to a much larger number of social assistance recipients, by merging long-term unemployment assistance and municipal social assistance. More in institutional terms, the Hartz reforms also transformed the Bundesanstalt für Arbeit. A new direct low-wage job-creation programme included public employment opportunities through so-called one-euro-jobs, which provide additional income of €1.00 to €2.00 per hour in combination with full benefits. Under the new Bundesagentur für Arbeit, a more unified system of job search assistance and placement services, based on new public management principles was established (*fordern* and *fördern*).

The Red-Green government put working families at the core of its policy platform with generous tax deductions for parents taking up childcare, especially among low-income families. The chancellor asked for an expert review of the family policy. Published in 2003, the Rürup/Gruescu report assertively underscored the need to break with the male-breadwinner welfare provision, reasoning that 'the times in which the male breadwinner had a good and most importantly a secure job, enabling to women stay at home, are over' (Heister, 2016).

Politically, the Hartz reforms were extremely unpopular, particularly with the traditional social democratic voters. Popular discontent ultimately resulted in the defeat of the Red-Green government in the 2005 German elections. The Grand Coalition of CDU/CSU and the SPD that followed revolutionized work-life balance parental leave and childcare policies under the new Minister for Family, Seniors, Women, and Youth Affairs, Ursula von der Leyen (CDU), committing the Grand Coalition to expand childcare facilities rapidly to 750,000 places by 2013 with a subsidy of €4 billion, covering one-third of the costs. Von der Leyen justified her progressive family reforms with an 'undeniable public task' for which the 'federal state is responsible.' Unsurprisingly, Christian conservative forces strongly opposed von der Leyen's 'social-democratic' turn of the CDU. Conservatives harked back to the principle of subsidiarity according to which families – not the state – are free to decide over family affairs. They called for a care allowance for parents wishing to care for their children. In the heated public debate that ensued, childcare was decisively brought into the realm of early education. Von der Leyen strongly opposed the care allowance precisely because it would be 'a catastrophic educational policy' (Heister, 2016). When asked why parents should not be allowed to freely buy childcare on a market and then be reimbursed by the taxpayers, as in the Netherlands, von der Leyen bluntly replied that 'the market only works for people with high incomes'. The right to childcare was introduced in 2008, to take effect in 2013. Ultimately, conservative Christians succeeded in incorporating the care allowance in the proposed legislation on childcare expansion. Nonetheless, lacking federal competencies in education reinforced existing divergence across the Länder and municipalities. To speed up the extension of childcare,

the German government decided to financially support the Länder based on a non-binding agreement to improve quality standards in early education. As such, federal subsidies allowed the Länder and local municipalities to build on and professionalize existing institutional capacities rather than creating an entirely new welfare governance model as in the Netherlands. Eventually, the care allowance was struck down by a ruling of the German Constitutional Court in 2015 (Heister, 2016).

The German economy was far less adversely affected by the Great Recession than the Dutch. Yet, the Merkel coalition government committed to a debt brake or *Schuldenbremse* in 2010. However, given that education and research were exempted from these retrenchments, the federal state was not able to roll back its financial support to municipalities and the Länder to expand public childcare. Together, the Von der Leyen's political framing of childcare as a public concern of early childhood education and the Constitutional court's ruling invalidating the home care allowance, pulled Germany decisively away from the male-breadwinner model.

Building on the social investment groundwork laid by the Red-Green administration, path-breaking family reforms under von der Leyen clearly underscore how the German welfare state has arrived at a fully-fledged political commitment to bring more mothers and single parents into paid employment in a country plagued by one of the lowest birth rates in the EU (Korthouwer, 2010). By the early 2000s, Germany lagged behind the Scandinavian countries, France, and the Netherlands in terms of female employment and work-life reconciliation. In the wake of the Great Recession, Germany, as a social investment late-bloomer, arguably took over from the Netherlands as the social cheerleader among continental welfare regimes.

Conclusion

The Dutch and German welfare states matured during the post-war era as male-breadwinner welfare states based on passive, employment-related social insurance provision, funded by social contributions from employers and employees, normatively discouraging women from participating in the labour market. With the benefit of hindsight, it is indeed no exaggeration to say that the continental welfare states, in comparison to their European, Nordic, An-

glo-Irish, and Mediterranean counterparts, have undergone the most path-shifting experience over the past decades. This chapter clearly identifies a temporally ordered reform *sequence* for the Netherlands and Germany, starting from a regime-specific 'inactivity trap', requiring an unforgiving 'price policy' corrective of labour market deregulation and social retrenchment, which then sets the scene for a more expansionary 'volume policy' of attracting especially working mothers to the labour market, supported by reforms that improve work-life balance reconciliation. It is often argued that norms and values supporting different welfare regimes are hardest to change (Goodin et al., 1999). This is not borne out by our country comparison. Seemingly, once the corrective disruption of the Bismarckian male-breadwinner provision by retrenchment and liberalization was breached, this consequently eased the way for normative recalibration in a dual-earner direction.

Returning to the academic literature, Dutch and Germany reform dynamics do not seem to have been strongly affected by partisan competition between social-consumption and social-investment occupational cleavages, as anticipated by electoral-turn scholarship (Beramendi et al., 2015). Political competition matters, as pent-up frustration over the discrepancy between aspirations and policy performance can be mobilized at 'critical' elections. Politically contested, retrenchment-deregulation reform correctives were taken up by both centre-right and centre-left coalition government, respectively in the Netherlands and Germany. The cathartic experience of the 'Dutch disease' in the 1970s persuaded the social partners and state actors, after a long intermezzo of corporatist immobilism, to revitalize a concerted strategy of wage moderation to recoup international competitiveness, supported by both centre-right and centre-left government, that ultimately paid off in revolutionary job growth in the late 1980s and 1990s. In Germany, the centre-left Schroeder government arguably lost the 2005 elections because of the unpopular Hartz reforms. Yet, successive centre-right and centre-left Merkel governments retained the Hartz reforms while progressively expanding family policy.

Fundamental to the final stage of path-shifting social investment reform is the cognitive redefinition of the Bismarckian predicament away from managing unemployment towards the promotion

of employment tout court, opening up future reforms to (re-)integrate vulnerable risk groups or those furthest away from the labour market, not only working mothers, but also long-term unemployed, migrants, people with disabilities, older low-skilled workers, and youngsters, based on the simple idea that every hour worked contributes to the revenue base of the welfare state.

Dutch and German reform trajectories differ with respect to the *timing* in a three-pronged reform sequence. Dutch policymakers were first to follow in the social investment footsteps of Nordic welfare provision. However, without much prior social investment experience and expertise, political reformers of the CDA and the VVD made a fateful error in the early 2000s when they expanded childcare on a design of private provision and ex-ante tax rebates, making the Dutch childcare system one of the most expensive in Europe. In addition, publicly subsidized private provision reinforced the part-time equilibrium for working families in the Netherlands.

When Germany expanded family and child services a decade later, policymakers did not push for social service privatization. Two important political and institutional factors explain the German approach to social investment reform. One is that liberalism is not a strong political force in Germany, whereas conservative and progressive liberals stand out in the Dutch party landscape. Also within Dutch Christian democracy, there a strong liberal and anti-state streak among Calvinists. The second institutional factor is that Germany is a federal state, and the Netherlands a unitary one. In the Dutch unitary state, the political executive is powerful in masterminding reform. In German federalism, childcare provision falls under the competence of education, which is a prerogative of the Länder. In other words, the central government can support the Länder to expand childcare and family services, but it cannot impose institutional design.

I conclude on a note of moderate optimism about the social investment welfare future on the European mainland. The extent to which social investment reform raises the quantity and quality of employment, it conjures up a ‘double dividend’ in consolidating the welfare state’s carrying capacity at satisfactory levels of intra- and intergenerational inequality in a problem-solving manner (Hemerijck, Ronchi and Plavgo, 2022). Today, practically all Bismarckian

welfare states have bid 'farewell to maternalism', to use Ann Orloff's apt metaphor (2006). I argue that this has only partially been driven by changing gender values. Women- and child-friendly policies of affordable access to day care, paid maternity and parental leaves are as much the product of a deliberate strategy to attract especially mothers, in the face of population ageing, to the workforce to contribute to the economic pie and tax revenues for financing highly popular pension commitments.

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