Effects of Politicization on Welfare State Policies:

Comparing Policy Impacts of Politically Appointed Officials in 18 Mature Democracies

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Abstract

This paper argues that in order to explain policy output, we need to better understand the role of key bureaucrats. It suggests that ministerial advisers are influential in determining the character of policy output and that the way in which ministerial advisers act partly depends on the terms of their employment. It hypotheses that recommendations made by politically appointed advisers differ systematically from recommendations made by non-politically appointed advisers, and that this also affects policy output. In order to test these suggestions, the paper analyses the distribution of welfare state cuts among different social groups. A set of eighteen mature welfare states between 1985 and 2003 are used, and the results indicate that the ministerial adviser's terms of employment influence the distribution of welfare state cuts.

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1. Introduction

What explains the distribution of welfare state cuts between different social groups in mature welfare states? In the beginning of the 1980s welfare politics changed. The early 1980s marked something of a watershed; before that the political struggle was more about expansion of generosity, and after that it has been more of a struggle for cost containment (Allan & Scruggs 2004, 501). This has not gone unnoticed by scholars. After Paul Pierson's (1994) influential assessment, the dynamics of welfare state retrenchment have been discussed among students of comparative politics for more than a decade. Studies have tried to explain either the stability of the welfare state in specific countries, or why some welfare states cut more than others in comparative terms. The politics of welfare state retrenchment has been made into a question of *how much* retrenchment we have experienced in the last decades (Korpi & Palme 2003; Pierson 1994).

Today it seems clear that substantial welfare state cuts have occurred, and that the size of welfare state retrenchment varies over time and across countries (Allan & Scruggs 2004; Korpi & Palme 2003). However, little attention has been paid to the character of the cuts. This paper tries to explain the distribution of welfare retrenchment between different social groups. In order to understand the distribution of welfare retrenchment this paper argues that we need to include policy advisers. The argument builds on Hugh Heclo's notion that "politics finds its sources not only in power but also in uncertainty" (Heclo 1974, 305). In situations when politicians are uncertain of what policy output they desire political advisers are likely to influence policy output (Rose 1987, 411). This paper argues that such recommendations, at least to some extent, also reflect the interests of the ministerial advisers, which in turn is influenced by the terms of their employment (that is, if the advisers are politically appointed or not). The paper suggests that we have reason to believe that this is the case in periods of retrenchment, and that the role of policy advisers must be taken into consideration in an explanation of the distribution of welfare state retrenchment.

This hypothesis is tested on welfare state politics in mature welfare states between 1985 and 2003. The main result from this paper supports the hypothesis that the terms of

employment for ministerial advisers affects the distribution of welfare state cuts among social groups.

Section 2 develops the theoretical argument of this paper. Section 3 presents new data on ministerial advisers in 18 countries between 1985 and 2003, and tests the hypotheses generated from the theoretical model. The empirical test is conducted with the use of quantitative data on the terms of employment for ministerial advisers and on welfare state retrenchment. Section 4 concludes.

2. Influential bureaucrats and the distribution of welfare state cuts

The definition of welfare state retrenchment is contested. Some scholars have suggested a definition that excludes welfare cuts that have not caused welfare state regime changes (Lindbom 2001, 173). This definition, however, misses the important changes that have taken place within already existing regimes (Allan & Scruggs 2004, 500; Korpi & Palme 2003, 435). In this study I follow the definition suggested in the power resources tradition, where the welfare state is seen as a provider of social rights. Welfare state retrenchment is consequently defined as any changes in these social rights that make them less attractive or generous (Green-Pedersen 2004, 7-8).

As mentioned in the introduction, the magnitude of welfare state retrenchment is debated. Two conclusions may be drawn from the ongoing debates. On the one hand welfare retrenchment has not brought about any shifts from one welfare regime to another in the mature welfare states (Esping-Andersen 1999; Huber & Stephens 2001; Pierson 1996, 2001; Taylor-Gooby 2002). The configuration of welfare regimes seems stable, although some analysis suggests a diminishing role of the welfare state, as social policies do not always cope with changes involving new social risks (Hacker 2004; Taylor-Gooby 2004). On the other hand, conclusions concerning the stability of welfare state regimes have led to an underestimation of welfare state cuts actually taking place in Oceania, North America and Western Europe. Recent studies show that major cuts have been made in several countries during the 1980s and 1990s (Allan & Scruggs 2004, 500; Clayton & Pontusson 1998, 84-89; Korpi & Palme 2003, 435).

This paper builds on the premise that the second of these conclusions is valid. The paper makes no effort to understand why welfare cuts are made in some countries and not

in others, but takes this variation for granted. Instead, it is the distribution of welfare cuts between different social groups that this paper seeks to explore. However, even though the magnitude of welfare state retrenchment on the one hand, and the distribution of welfare state cuts on the other hand, are two different questions, they are related to each other in important ways. Obviously, without any welfare state retrenchments to distribute, the question of distribution will never be considered. This has important implications for which control variables that should be included in this study. Thus, variables that drive welfare state retrenchments should be controlled for even if their relations to the distribution of welfare state cuts are not clear.

Scholars studying the driving forces of welfare state retrenchment can roughly be divided into two schools: advocates of *New Politics* and *Class Politics*. Even though the issue of the distribution of welfare cuts in mature welfare states has not been the main focus in the scholarly debate on welfare state retrenchments, there are suggestions in the existing literature that could also explain this question.

Advocates of the New Politics perspective suggest that retrenchments are rare, which implies that any variation should be explained by two different factors that can affect the distribution of welfare cuts. First, it is noted by New Politic scholars that the welfare state enjoys strong support among voters in almost all Western democracies. This strong support makes it hazardous for politicians to advocate welfare retrenchment, as voters probably will punish them. Trying to explain why particular groups are targeted, we should therefore expect political parties to advocate cuts that affect their voter base as little as possible. Second, new and strong interest groups can also block welfare cuts. In this case, we should expect cuts to be greatest where interest groups are poorly organized (Pierson 1996; 2001).

In what might be called the Class Politics perspective, welfare retrenchment is seen as a distributive conflict largely determined by the allocation of power resources between class-related interest groups. The basic argument is that the variation in retrenchment should be explained by the distribution of power among class and party actors. When parties to the right and interest groups associated with them are strong, there should be more welfare retrenchment than when the left is strong and there are strong unions. What is of greater importance in this study, one should also expect parties to fight for the rights

of the class associated with them, and policy output to be influenced by the strength of interest groups (Korpi & Palme 2003).

As different as these perspectives are, they have one prediction in common. According to both of them, we should expect a broad variety of welfare cuts among different social groups, where the lion's share of the cuts should affect weak, unorganized groups that are not associated with the parties implementing the cuts. Thus, scholarly literature suggests a null hypothesis that leads us to expect a large dispersion of cuts among social groups.

However, it is not clear that this prediction holds empirically. One example is welfare state retrenchments carried out in Sweden during the 1990s. In the early 1990s Sweden experienced a severe economic crisis, and between 1991 and 1998 several welfare state cuts were made (Dahlström 2006). According to the generosity index provided by Lyle Scruggs in the Welfare State Entitlements Data Set, the decline in the overall generosity score between 1991 and 1998 in Sweden was equally divided with about one third each between the indices for unemployment generosity, sick pay generosity, and pension generosity. This indicates that the burdens of welfare retrenchment were evenly distributed, at odds with the prediction above (Scruggs 2006).

On the other hand, there are also examples of the opposite situation. During Ronald Reagan's presidency from 1981 to 1989, the decline in the overall welfare generosity score was quite unevenly distributed between unemployed and pensioners (the US has no sick pay insurance). The greater part, about four fifths of the decline, was carried by the pensioners according to the generosity index (Scruggs 2006).

As already noted, if we follow the retrenchment scholars we would expect an unequal distribution of welfare state cuts. However, the examples above indicate that there is something mitigating the interest based explanation, sometimes causing an unexpectedly equal distribution.

This paper suggests that interest group influence on the distribution of welfare cuts might be mitigated by ministerial advisers. In his important study of social policy in Britain and Sweden, Hugh Heclo (1974) points to the limits of interest-based explanations and stresses the importance of learning. In his view, even powerful actors do

not always know what they want, and learning this is as important as struggling over different alternatives.

Actors learn what they want in two ways: from experience and from advice. It gives key bureaucrats, who often serve as advisers, a very important role. They have both experience of policy performance and enough analytical capacity to suggest solutions to the problem at hand, and this allows them to influence the policy output. Their position led Heclo to conclude that "bureaucracies of Britain and Sweden loom predominant in the policies studied" (Heclo 1974, 301).

It is probably even more so in periods of welfare state retrenchment than in periods of welfare state expansion. After all, the welfare systems have grown more complex with time, making the need for expert advice even more crucial. (For a critique of the lack of analysis of bureaucracy's influence on welfare state retrenchment, see Marier 2005.) Information and analytical capacity is, as Heclo (1974) remarks, what gives key officials their central role.

Following Heclo, I propose that the retrenchment agenda is influenced by advice from key bureaucrats. This paper argues that in situations when politicians are uncertain of what policy output they desire, political advisers are likely to influence policy output (Rose 1987, 411). What is more, it argues that such recommendations, at least to some extent, reflect the interests of the ministerial advisers, which in turn is influenced by the terms of their employment. However, in order to make these suggestions probable, two questions must be analysed; first, under what circumstances should we expect bureaucrats to influence policy output; second, what policy effects should we expect of their influence.

First of all, we should not expect bureaucrats to influence political decisions by pushing their case in open conflict with the political leadership. A division of labour between bureaucracy and politicians is the organizing principle in all Western political systems (Rouban 2003, 314). This deprives key bureaucrats of the legitimacy to oppose the government, however important they might be in the policy process (Peters 1995, 237). So if key bureaucrats have any influence at all, it should be expected to play out only when politicians do not have a clear agenda of their own. We might also suspect that their role is more limiting than creative. By making some suggestions instead of others,

the scope of political decisions available for politicians is restricted. And when politicians do not have a clear policy agenda, based on ideologically principles for example, the suggestions made by the key bureaucrats will be treated as the existing universe of policy options and thereby influence the policy output. This makes the key bureaucrats' role reactive, but not less important (Peters 1995, 234-237).

Consequently key bureaucrats can be expected to influence decisions mainly when "the will of the politicians" is low (Rose 1987, 411). This probably varies across countries, policy areas, and over time. Also in the policy area studied here, a lot of variation probably exists. When welfare state retrenchments are motivated by budget deficits, as they were in Sweden in the 1990s, one should probably expect the political will for welfare retrenchment to be low (Lindvall 2004, 119-125). In such cases, politicians know that they need to make welfare cuts, but they do not necessarily know what to do and, as a consequence, influence from key bureaucrats is more likely. However, in other cases, the welfare state retrenchment can be part of a politically motivated program. For example, one could imagine a government that is ideologically motivated to make cuts, as was the Thatcher government in the United Kingdom during the 1980s (Pierson 1994, 58). In such cases the welfare retrenchment program is already politically decided and influence from key bureaucrats is less likely.

Thus, we need an approximation of the extent to which politicians know what they want in the policy area at hand. Measuring "the will of the politicians" is very hard, and it is probably not possible to find a general measure. In the case of welfare state retrenchment it is, however, likely that the political right more often than the political left has a clearly defined political will to make welfare cuts. It is, for example, probable that welfare state cuts made by the political right are ideologically driven. This argument is backed by empirical studies that show that the political right is associated with welfare state cuts (Allan & Scruggs 2004, 506; Korpi & Palme 2003, 436). Therefore parties on the political right are probably less influenced by the advice of key officials than center-left parties in this particular policy area.

The second question, mentioned above, is what policy effects we should expect of key bureaucrats' influence, if any. This paper argues that we should expect a systematic difference in what kind of advice key bureaucrats give politicians. In their analysis of

state responses to the Great Depression, Margaret Weir and Theda Skocpol make an important claim. Appointed officials have organizational and career interests of their own, and they will generally not act in ways that could harm these interests. When acting, they will consider the state structure in which they are located. In this case it means that the advice from key bureaucrats should be expected to be influenced by the way in which key bureaucrats interpret their role within the state structure (Weir & Skocpol 1985, 117-119). So, given the expectation that officials' advice will reflect their interests, and their interests will be affected by their role in the state apparatus, as Weir and Skocpol (1985) argue, how will their role in the state apparatus enter into their perception of their interests?

Using a very simple dichotomy, key bureaucrats can be loyal either to the government or to the state. This paper suggests that the way in which key bureaucrats interpret their roles will largely be determined by whether they are employed by the government or by the state – in other words, to which of these they feel they owe their loyalty. Simply put: if bureaucrats are employed directly by the government (the government can hire and fire key bureaucrats) they will to a large extent feel they owe their loyalty to the government, while bureaucrats that are employed by the state (key bureaucrats are hired and fired by other senior civil servants) to a large extent feel they owe their loyalty to the state. This should be uncontroversial – after all, the most obvious reason to recruit partisan loyalists as bureaucrats is to gain control over state organizations (Peters & Pierre 2004, 7).

At least two causal mechanisms will influence policy output, depending on who the key bureaucrats feel they owe their loyalty to. First, key bureaucrats will to some extent have the same interests as their employer. Let us call this the interest mechanism. If the key bureaucrats owe their loyalty to the government, he or she will – like the politicians – think about the outcome of the next election and thereby consider the attitudes of voters and the impact of important interest groups. A political logic will therefore influence the key bureaucrat's advice. On the other hand, if key bureaucrats owe their loyalty to the state, it implies that they do not think like politicians. They will not consider attitudes of voters and interest groups. Instead they will have the structure of the system – their position in the state apparatus – in mind when giving advice (Weir & Skocpol 1985, 118).

In this case "the system" is the welfare state system, and key bureaucrats who owe their loyalty to the state think and act to keep the system as functional as possible.

The second causal mechanism has to do with what is legitimate for key bureaucrats to suggest. We can call it the legitimacy mechanism. B. Guy Peters points out that bureaucrats are always dependent on the legitimacy provided by the politicians (Peters 1995, 237). If the key bureaucrats owe their loyalty to the government they are in some way also politicians, and thus have greater freedom of action. If the key bureaucrats in some way see themselves as politicians, it is possible for them to also act like a politician. This opens up for more radical reform suggestions from their part. It is a legitimate part of their job as political policy advisers to also suggest a somewhat new system. In this case it could for example be legitimate for a party loyalist to consider a re-structuring of the welfare system. In such a case one group might have to carry a disproportionally large part of the welfare cuts. For key bureaucrats who owe their loyalty to the state, on the other hand, it is impossible to suggest that kind of radical reforms of the welfare system without explicit instructions from the political leadership to do so. They simply do not have the legitimacy to do so. If they have to act on their own they will instead make a lot of small adjustments, protecting the existing system, and making cuts where it makes the least difference possible.

Both these causal mechanisms should therefore contribute to different policy outputs when key bureaucrats are politically appointed, compared to when they are not. In cases where key bureaucrats are employed by the government, interest-based explanations put forward by retrenchment scholars will probably be more valid. Welfare cuts should in such cases be unequally distributed among societal groups. In cases where the key bureaucrats are employed by the state, on the other hand, welfare cuts should be more equally distributed among societal groups.

It should also be noted that key officials are employed on very different conditions in Western democracies. In some countries, Belgium is one example, a large proportion of key officials depend on the government for their position and in other countries, Denmark for example, almost no key officials are dependent on the government. In the first case, vital state officials should be more loyal to the government while in the latter case they should be more loyal to the state (Dierickx 2004; Grönngård Christensen 2004).

3. Bureaucratic Effects on the Distribution of Welfare State Cuts in Eighteen OECD Countries, 1985-2003

This section reports an empirical test of the effects of the terms of employment for key bureaucrats on the distribution of welfare state cuts. The test uses a dataset of eighteen OECD countries, for the period between 1985 and 2003. The countries include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States. The countries were chosen based on data availability.

The dependent variable in the empirical investigation – the distribution of welfare state cuts – deals with the relation of cuts in two different welfare programs; unemployment insurance and old age pensions. This is measured as the range of changes between the two programmes. Data comes from the Welfare State Entitlements Data Set, provided by Allan Scruggs, and is described in more detail in the next section (Scruggs 2004). The two programs are chosen because they are linked with two distinct societal groups, the working population and the retired population. It is plausible that the working and the retired populations have opposite interests in retrenchment periods. What is more, the recipients of the two programmes have differences in political strength. Generally pensioners are better organized than the unemployed (Pierson 2001, 413). This makes the null hypothesis plausible.

The time period follows from findings in Allan and Scruggs (2004). They identify a structural break in the early 1980s, dividing the welfare state development in two distinct periods. First there is a period of expansion up to the 1980s, and then a period of retrenchment from the 1980s and on. It has been shown that different logics apply for the two periods, and as this paper explores the distribution of welfare cuts the second period is appropriate for an empirical test (Allan & Scruggs 2004, 504 pp). The time period therefore starts the year with the first observation of the main independent variable after 1980, which is in 1985 for most of the countries.

The main independent variable in this paper is the terms of employment for key bureaucrats. Key bureaucrats are defined as policy advisers close to the government. The definition is chosen so as to capture to whom the minister turns for policy advice on a day-to-day basis. Thereby, this paper explores the effects of a very limited fraction of the

potential variations in bureaucratic structure. The bureaucratic structure varies in several different ways in Western democracies, not captured by this definition (Page & Wright 1999; Peters & Pierre 2004; Peters, Rhodes & Wright 2000). For example, state officials mainly involved in the implementation of policy are excluded from this study. I justify the definition used here by reasoning that the paper seeks to find an empirical measure only of the direct influence of key bureaucrats on policy formation. This is why ministerial advisers are of special interest. According to the main hypothesis, the ministerial advisers' terms of employment should affect the content of their policy advice. Their terms of employment are divided in two categories: politically appointed (dependent on the government) and non-politically appointed (dependent on the state).

Data and methods

The primary objective of the empirical analysis is to make a rough estimate of the importance of the ministerial advisers' terms of employment on the distribution of welfare state cuts, using the data sources below.

As already mentioned, data from the Welfare State Entitlements Data Set is used to create the dependent variable (Scruggs 2004). Expenditure data would have been an alternative data source, but there are well known problems with using aggregated expenditure data as an indication of welfare state effort (for critiques see Allan & Scruggs 2004; Clayton & Pontusson 1998; Esping-Andersen 1990; Korpi & Palme 2003). Until quite recently, however, there has not been any other available data.

The Welfare State Entitlements Data Set makes it possible to estimate welfare state changes more accurate, and in more detail, than has been the case before. This dataset measures the income replacement rates in eighteen OECD countries. In this paper I use two different welfare state programs: unemployment protection, and old age pensions. Based on this information, the dependent variable in this paper – that is the distribution of welfare state cuts – is calculated. In the dataset replacement rates are reported for two recipient groups: 1) single workers, 2) married couples with one working person, one non-employed spouse, and two children. Following Allan and Scruggs I have used the average net replacement rate of two recipient groups (Allan & Scruggs 2004, 499). I have

made the same calculations for both social insurance programmes. Based on the year to year changes in these averages I have calculated the average change for each insurance programme for two periods: 1) 1985-1994, and 2) 1995-2003. The reason for this is that the independent variable is only measured in 1985 and in 1995.

Based on these averages for each program in each period, the range of changes between the two insurance programs has been calculated for each period. The range captures the distance between the average changes in the unemployment insurance compared to average changes in old age pensions, for each period. This means that the value zero indicates that the changes have been of the exact same size in both programmes in that period, and any deviation from zero indicates that changes in the replacement rates are unequally distributed. Table 1 reports the range of changes for the two periods.

The main independent variable – the terms of employment for ministerial advisers – is based on a new data collection. Country experts in eighteen countries have been asked to estimate the number of political appointees in the central government offices for the years 1975, 1985, 1995, and 2007. Table 1 covers the results for 1985 and 1995. The survey was conducted during the spring of 2007. It covered the eighteen countries listed in the beginning of this section, and resulted in a total of 44 valid expert responses spread between two and four responses for each country.

The panel was made up of highly qualified experts. All country experts were identified based on their publications in the area of Public Administration. They have all published articles in peer-reviewed journals, books, or chapters in edited books, focusing on the structure of the central bureaucracy of the country at hand. The answers have also been checked against other available sources, such as statistics from the Office for Administrative Affaires within the Government Offices, other administrative agencies, or secondary sources (see Dahlström 2008 for details).

Table 1 Political appointees and the range of changes in replacement rates for unemployment insurance and old age pensions, 1985-2003.

Country	Political appointees per minister		Range of changes between replacement rates, unemployment and old age pensions					
	1985	1995	Min-max (range by year) 1985-1994	Min-max (range by year) 1995-2003	Mean (range by year) 1985-1994	Mean (range by year) 1995-2003	Range (period means) 1985-1994	Range (period means) 1995-2003
Australia	14.4	17.8	0.15-3.58	0-1.23	1.75	0.55	0.42	0.00
Austria	4.0	6.3	0.17-3.43	0.34-1.62	1.65	0.77	0.03	0.39
Belgium	21.7	15.7	0-2.75	0-5.71	0.89	0.75	0.53	0.76
Canada	3.3	4.1	0.21-3.33	0.30-3.74	1.64	1.84	1.21	0.89
Denmark	0.2	0.5	0.07-3.48	0.09-0.85	1.16	0.50	0.97	0.52
Finland	1.0	3.3	0.49-26.14	0.11-3.22	4.81	1.14	2.25	0.37
France	35.1	25.9	0.41-3.99	0.22-6.03	1.39	1.98	0.43	1.55
Germany	7.5	7.1	0.64-2.51	0.22-2.43	1.17	1.27	0.05	1.05
Ireland	0.6	3.3	0.13-7.67	0.18-9.60	1.58	3.01	0.51	0.48
Italy	45.0	35.7	0.88-17.24	0.34-10.79	4.64	3.74	1.83	1.99
Japan	2.7	2.9	0-2.25	0-4.33	0.55	1.55	1.16	0.21
Netherlands	4.3	4.3	0-5.62	0-1.77	1.80	0.82	0.19	0.54
New Zealand	0	2.2	0.11-6.02	0-2.61	1.48	0.72	0.36	0.19
Norway	2.8	2.8	0.18-7.26	0.15-2.56	2.26	0.81	0.50	0.13
Sweden	4.1	5.0	0.25-6.22	0.37-7.21	2.26	1.99	0.63	0.01
Switzerland	14.3	14.3	0-5.52	0-1.15	1.73	0.47	0.20	0.58
UK	0.9	1.7	0.06-3.03	0-8.03	1.24	1.79	0.97	0.29
US	7.4	8.2	0.06-6.44	0.9-2.87	1.98	1.14	1.55	0.45

*Data on political appointees for Belgium refers to the years 1986 & 1995.
** Data on political appointees for Canada refers to the years 1987 & 1997.
*** Data on political appointees for Germany refers to the years 1983 & 1995.
**** Data on political appointees for New Zealand refers to the years 1985 & 1998.
***** Data on political appointees for the US refers to the years 1984 & 1995.

The number of political appointed officials in the central government offices was then divided by the number of ministers in order to create an estimate of the number of political appointed advisers per minister. Data for the number of ministers comes from Woldendorp, Keman & Budge (1998) for the years up to 1995, and from various issues of the Political Data Yearbook, published by the European Journal of Political Research, for the years after 1995. The expectation is that the number of political appointed advisers per minister will be positively associated with the range of welfare state cuts.

A partisan variable is included in the model in order to estimate the conditions upon which the influence of the ministerial advisers depends. In the previous section it has been hypothesised that key bureaucrats only influence policy output when the politicians do not know what they want (Rose 1987). When it comes to welfare state retrenchment politics it is more probable that the political right know what they want. This is justified by the fact that the political right is generally more likely to make ideologically motivated welfare state cuts. Studies have shown that the political right is associated with the size of welfare retrenchment (Allan & Scrugges 2004; Korpi & Palme 2003). Therefore the influence of the political right in the government is used to get a rough estimate of how clear the political will is. Right-party strength is defined as the percentage of right party portfolios as a percentage of all cabinet portfolios. The mean of the right-party strength for each period is calculated and used in the analysis. Party data comes from Duane Swank's Comparative Political Parties Dataset.

The ministerial adviser variable and the partisan variable are then interacted in order to model the declining influence of ministerial advisers when the political will strengthens. This interaction is also motivated by observations made by Evelyne Huber and John Stephens, that bureaucratic influence on social politics are dependent on the political ordination of the government (Huber & Stephens 2001, 332).

Three control variables are introduced in the model. All three are included to capture the structural pressure on the welfare state. The first control variable introduced is budget deficit, measured as a percentage of GDP. This controls for the possibility that a larger range of changes is in fact correlated with budgetary crises. The second of the control variables is unemployment rate, and third is the size of the population over 65. Both of these two variables are introduced in order to control for possible effects of program

population. The control variables are from the Comparative Political Data Set I, 1960-2004 (Armingeon et al 2006).

Thus, my observations are based on 18 countries at two points in time (period 1, 1985-1994, and period 2, 1995-2003), with a total of 36 observations. I have estimated this panel model with Ordinary Least Squares with panel corrected standard errors (Beck & Katz 1995). To account for period effects and to mitigate autocorrelation, I have also included period dummies.

Results

Effects of the ministerial adviser variable, the partisan variable, and the interaction term are all going in the predicted direction under control for budget deficits, unemployment rate and proportion of population of age 65 and over.

I interpret the effect of the ministerial adviser variable as a support for the main hypothesis in this paper. It indicates that the terms of employment for ministerial advisers have an effect on the policy advice, and that this affects the distribution of welfare cuts. The regression analysis shows a statistical significant effect at the .00 level of Political Appointed Adviser per Minister. This is, however, a conditional effect, and is dependent on the right cabinet share. The effect reported in table 2 only refers to a situation where the right cabinet share is zero. Even if that is not an uncommon situation, as both centre and left governments get zero, it is certainly not always the case.

As hypothesized the interaction term indicates that when the right cabinet share rises, the influence of political appointed adviser per minister declines. The effect is significant at the .00 level and fairly strong. The result indicates that the effect of one more political appointed adviser per minister will be zero when about 45 percent of the cabinet are from right wing parties. This is, however, only the case in about 30 percent of the cases. About 70 percent of the cases have a right cabinet share below 45 percent.

I interpret the interaction effect as an indication of a declining influence of policy advisers when politicians know what they want. It is reasonable to think that the more desirable politicians think specific policy outputs are, the less influence policy advisers have on the decision.

Table 2 Regression estimates for the range of changes in unemployment and standard pension replacement rates

	Predicted	Ministerial adviser model
Political Appointed Adviser per Minister	Positive	0.035**
Right Cabinet Share	Positive	0.640*
Interaction term	Negative	-0.078**
Budget deficit	Negative	-0.017
Unemployment	Positive	0.030
Population 65 and over	Positive	0.008
R²		0.71
N		36

The model is estimated with Ordinary Least Squares with panel corrected standard errors. Cases are 36 country periods for the 18 countries and two periods defined in the text (period 1, 1985-1994, and period 2 1995-2003). The model includes time period dummies.
* p<.01, p<.00**

The effect of the partisan variable is significant at the .01 level, and indicates that there is a partisanship effect on the range of cuts between the two welfare state programmes. This could be interpreted in two ways. On the one hand, it could be interpreted as an effect of the assumption that the political right is more likely to have an ideological welfare state retrenchment agenda and therefore a stronger political will than the political centre and the political left in this policy area. This might enhance the range of welfare state cuts, as hypothesised in the previous section. On the other hand, it could also be interpreted as an effect of the mere fact that the political right is closer associated with welfare state retrenchments than the political centre and the political left (Allan & Scruggs 2004; Korpi & Palme 2003). One consequence of this relationship could be that the existence of welfare retrenchments in themselves increases the possibility of having

some range between changes in the two welfare state programmes, and this could be what creates the positive relationship reported in table 2.

What is more, the effect of the partisan variable is a conditional effect. The size of the effects reported in table 2 is the estimate when the number of politically appointed advisers per minister is zero. I have no substantial explanation at this point to why the number of politically appointed advisers should hamper the partisan effect, but the estimate indicates that it does.

The three variables included to capture the structural pressure on the welfare state all show effects in the predicted direction. However, I fail to find significant effects. Neither budgetary crises, nor pressures generated by a growing program population seem to create larger ranges between the two social insurance programmes.

When it comes to size of the effects, they are admittedly hard to interpret, as it relates to the range changes in the two insurance programmes as a mean for a ten year period. One way of thinking of it is that moving from a country with a very low proportion of politically appointed ministerial advisers, like Denmark, to a country with a very high proportion of politically appointed ministerial advisers, such as Italy, would expand the range with about 1.3 percentage points of replacement during a ten year period, when the right cabinet share is zero. The size of the partisanship effect indicates that moving from a government with no right wing parties to a government of only right wing parties increases the range with about 0.6 percentage points of replacement rate, when the number of political appointed advisers is zero. To get some sense of the magnitude it could be noted that one percentage point is where Allan and Scruggs draw the line to exclude marginal changes in the replacement rates (Allan & Scruggs 2004, 509).

4. Conclusions

This paper has evaluated if the terms of employment for key bureaucrats has welfare state policy effects. The paper suggests that policy advice from key bureaucrats influences the distribution of welfare state cuts, and that the content of this policy advice is influenced by the terms of the adviser's employment. It differentiates between politically, and non-politically, appointed bureaucrats. If the advisers are employed directly by the

government – that is if they are politically appointed – they will to a larger extent consider the attitudes of voters and the impact of important interest groups and thereby give policy advice that discriminates between different social groups. If the policy advisers, on the other hand, are employed by the state – if they are non-politically appointed – their advice aims to keep the welfare system as functional as possible from their point of view, and welfare cuts should in such cases be more equally distributed among social groups. What is more, it is hypothesized that the influence of policy advisers should be conditioned on how sure politicians are of what they want. If politicians have a clear will, the influence of the advisers is expected to be hampered.

Eighteen welfare states between 1985 and 2003, and two welfare state programmes have been analysed. The programmes are unemployment insurance and old age pensions. The hypotheses are supported by the empirical test. The analysis indicates that the higher the number of politically appointed advisers, the greater the range between the welfare cuts in the two programmes studied here. What is more, the empirical analysis indicates a partisanship effect on the distribution of welfare cuts, suggesting that the political right is more associated with a higher dispersion of the welfare state cuts than the political left.

It is also shown that this effect declines with an increasing share of right wing parties in the government, and that it vanishes when a substantial fraction of the government belongs to a right wing party. The latter finding is interpreted as support for the hypothesis that the impact of policy advisers is held back when there is a government with a clear political will.

All these effects are found under control for budget deficits and the size of the program populations.

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