Culture and the Marketization in Welfare State Policies:

The Case of LTC Policy

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Abstract

This paper offers an innovative contribution to the theoretical debate about the causes of cross-national differences in the degree of marketization in long-term care (LTC) policies for older people. It analyzes in which way cultural differences may contribute to the explanation of such differences, with a focus on the political construction of the care-dependent older persons as "care consumers".

It is a common assumption, based on partisan theory, that governing parties of the political right are in favor of strengthening of market principles (often based on a neo-liberal agenda), while governing parties of the political left are in opposition to marketization. According to the main assumption of this paper, marketization can be based on different sets of cultural ideas, which may trigger political marketization relatively autonomously from the orientation of specific political parties.

The paper is based on a comparative case study of two conservative welfare states, Germany and Austria. Both countries introduced a new LTC policy in the mid-1990s, but they differ substantially with regard to the degree of marketization in LTC policies. The study analyses the role of cultural ideas and their relation with the political orientation of the governing parties for the explanation of the differences in the degree of marketization in LTC policies. It shows that cultural ideas in the field of the political actors contribute substantially to the explanation, Besides neo-liberal ideas, also libertarian ideas may be relevant in this context. It also indicates that cultural ideas can play a relatively autonomous role vis-à-vis the role of powerful political parties in the political process that leads to political reforms.

Introduction

Since the 1990s many welfare states in Europe have extended financial support for the provision of social services in the field of long-term care (LTC) for older people. With such policy reforms they have reacted to changes like the ageing of society and the increase in women's labor-force participation rates (Anttonen & Sipilä, 2005; Knijn & Kremer, 1997; Kröger & Sipilä, 2005). At the same time, a restructuring of policies towards LTC started that was based on a strengthening of market principles (Bode, 2008; Burau, Theobald & Blank, 2007; Clarke, 2006; Clarke, Newman & Westmarland, 2007; Eichler & Pfau-Effinger, 2009; Jensen & Møberg, 2011; Knijn & Verhagen, 2007; Pavolini & Ranci, 2008; Rostgaard, 2006; Vabø, 2006). The construction of the care recipients as "care consumers" and the introduction of provider

competition were main elements of the marketization. There are nevertheless substantial differences between European welfare states in the degree to which LTC policies support the marketization of care for older people (Da Roit & Le Bihan, 2010).

Until now there have been relatively few studies asking how cross-national differences in this marketization can be explained. Some studies assume that differences between the types of welfare regimes, in Esping-Andersen's sense (1990), contribute to the explanation of cross-national differences in the marketization of LTC (Bode, 2008; Brennan, Cass, Himmelweit & Szebehely, 2012). However, differences have also been identified between welfare states of the same type in the degree of marketization, for example, among the Nordic social-democratic welfare states (Meagher & Szebehely, 2013). In the explanation of such differences, there is thus still a research gap.

The present article focuses on marketization in LTC policies on the demand-side, which is based above all on framing the care-dependent older persons as "consumers" of care services, who choose and buy these services on "care markets" (Rostgaard, 2006; Vabø, 2006). The paper compares the marketization in LTC policies for older people in the German and Austrian welfare states based on a "most similar cases" design. In both welfare states, which Esping-Andersen (1990) characterizes as the "conservative" welfare regime type, policy towards LTC for older persons until the 1990s was solidly based on the expectation that the family – and within the family mainly women – were responsible for care provision. However, as a result of paradigmatic change in care policies in the mid-1990s, social rights and welfare state support for publicly financed care services for older people were considerably extended on the one hand, while at the same time market principles were strengthened on the other hand (Klenk & Pavolini, 2015; Pfau-Effinger & Rostgaard, 2011; Ranci & Pavolini, 2013). The two welfare states can be seen to have thus taken differing development paths in their care policies since then.

We assume that cross-national differences in the degree of marketization in LTC policies can be explained above all a) by differences in the role of market elements in the previous LTC policies; b) by the political orientation of the governing parties, and c) by differences in the main ideas that were successful in the political processes during the historical period of the formulation of the new LTC policies, on the basis of the specific actor constellations.

We present the findings of a comparative study of new LTC policies introduced in the Austrian and German welfare states in the mid-1990s, which evaluates the main theoretical assumptions

based on document analysis in a cross-national perspective and a historical perspective derived from process tracing. We show that the political orientation of the governing parties does not explain the differences between the Austrian and German policies' degree of marketization of care on the demand-side. Instead, path dependence marked by differences in the role of market elements in the previous LTC policies, as well as differences in the cultural ideas that gained dominance during the political processes substantially contribute to the explanation.

The paper thus offers an innovative contribution to the debate about the reasons for cross-national differences in the degree of marketization in LTC policies. The main focus of the paper is on the institutional framework underpinning the marketization in LTC policies. Not examined is how marketization was implemented in each case, or in how far it affects the actual structures and practices of LTC.

In the second part, the article gives an overview of the state of theorizing and research in the field. The third part presents the theoretical approach to the comparative analysis, while the fourth part introduces the methodological approach. The fifth part presents the results of the cross-national comparative analysis of care policy institutions in the welfare states of Germany and Austria regarding the degree to which they supported the marketization of LTC for older people when they were introduced. The sixth part evaluates the theoretical assumptions about the main factors that contribute to the explanation of the differences. The last part offers a summary of the findings and a conclusion.

State of the Art: Marketization of Care

Central elements of Marketization of Care

Since the 1990s many European welfare states have increasingly defined LTC for older people as the task of the state (Anttonen & Sipilä, 2005; Léon, 2014; Theobald, 2005). The development of European care policies has been from that time substantially characterized by an extension of social rights and infrastructure (Ranci & Pavolini, 2013), but was also accompanied by a shift to what is generally called the “marketization of care” (Bode, 2008; Jensen & Møberg, 2011; Pfau-Effinger & Rostgaard, 2011; Rothstein & Steinmo, 2002; Taylor-Gooby, 1999). Here opinions differ in part considerably about what is understood by the “marketization” of care. As typical elements of marketization in LTC policies in the literature are seen the reinforcement of competitive principles (Meagher & Szebeheli, 2013; Nullmeyer,

2004) and the "privatization" i.e. the outsourcing of public care to other providers like for-profit providers (Anttonen & Häikiö, 2011; Brennan et al., 2012; Gilbert, 2015; Kröger, 2011).

An important principle of marketization is considered to be the construction of older persons in need of care as "consumers" (Rostgaard, 2006; Vabø, 2006) who, on the basis of provider competition, have the choice between different types of care services on "care markets" (Anttonen & Meagher, 2013; Brennan et al., 2012). This is also referred to as "care consumerism" (Clarke et al., 2007; Eichler & Pfau-Effinger, 2009; Newman & Vidler, 2006). A basic principle in the concept of care consumerism has been the introduction of "cash-for-care" systems within LTC policies in which the older people in need of care are provided with more or less strictly regulated payments or vouchers by the welfare state that can be used to buy the care services of their choice on the care market (Da Roit & Le Bihan, 2010; Rummery, 2009; Ungerson, 2004).

Several authors have pointed out that the concept of "care consumerism" poses substantial risks to the care recipients. While the option of "free choice" was often introduced by welfare states in order to give for-profit providers access to the market in care provision based on public funding, it has been shown that for-profit provision of publicly funded care poses the particular risk of low care quality (Rostgaard, 2011). The care consumerism approach neglects the fact that care is not a commodity like others (Himmelweit, 2008): it requires trust and established relationships. Older people often do not have the information adequate to being able to compare the services of different care providers (Glendinning & Baxter, 2013; Rostgaard, 2011).

Explanation of Cross-National Differences in the Marketization in Care Policies

In the literature, many reasons are given for governments' marketization in care policies. In neoclassical economic argumentation, political marketization pursues the aim of strengthening provider competition in order to assure more efficiency, a better fit of provision to needs, and quality (Lundsgaard, 2002; Rothgang, 2000). From the perspective of the "public choice" approach, the introduction of self-regulating markets can also be interpreted as protective measures against the misuse of power by corrupt and selfish actors (particularly politicians) and protection of the social sector (Tullock, Seldon & Brady, 2002). In part, the argument is made that the trend towards marketization of care, which is often considered to support social inequality and problematic conditions of care (Meagher & Szebehely, 2013), is being caused by hegemonial economic interest in greater profits, to which political power must yield (Leys,

2003). Furthermore the significance of neoliberal ideas is emphasized, the imposition of which, so the argument, has been an important cultural precondition for the imposition of the market-related reforms (Bode, 2010; Brennan et al., 2012; Mahon, Anttonen, Brennan, Bergqvist & Hobson, 2012; Newman, Glendinning & Hughes, 2008).

However, there is an explanatory need as to why, despite the similar importance of the problem, cross-national differences have emerged. A common argument puts the political orientation of ruling parties at the center of attention (e.g. Häusermann, Picot & Geering, 2013). Corresponding to a widespread assumption, the inclusion of social-democratic parties in government coalitions seems to promote stronger egalitarian policies (Esping-Andersen, 1999), while marketization and competition is supported rather by conservative parties. This thesis is however challenged by empirical research, since in many European countries in recent decades social-democratic parties have been decisively involved in marketization (Bode, Champetier & Chartrand, 2013; Gingrich, 2011). Gingrich (2011) argues that from the political Right's point of view (e.g. “markets ensure cost reduction”) as well as from the Left's (e.g. “markets ensure fiscal and political sustainability”), there are motives to introduce marketization. Against this background, various types of marketization can emerge which also differ in their main objectives (efficiency, quality or profit) and the mode of allocation of the services.

Theoretically also the role of civil society actors beyond political parties come into consideration as explanations for the degree and type of marketization, such as special-interest organizations, social movements, NGOs and trade unions (Bode, 2010; Burau et al., 2007; Ranci & Pavolini, 2013; Theobald, 2011). Such actors can influence state policies or effect political change by modifying cultural values and ideals in society (Pfau-Effinger, 2005). Their contribution is partly neglected in current explanatory approaches.

In empirical research the assumption predominates that cross-national differences in the marketization in LTC policies are essentially due to differences in the welfare regime type. However, the findings of empirical studies differ. Some studies find for example that marketization in the form of “cash-for-care” systems, in which care-dependent older persons receive funds without further regulations imposed on their use, has been introduced particularly in welfare states of the “Mediterranean” type (Da Roit, Le Bihan & Österle, 2007; Ungerson 2004). Other studies have shown that marketization is strongly expressed in the “liberal” regime type (Bode et al., 2013; Newman et al., 2008), with a mass opening of the care market to profit-oriented actors, and a strong consumer orientation (Clarke, 2006). Even though the Nordic welfare states, which Esping-Andersen (1990) includes within the “social-democratic” type,

have partly also adopted market elements, their degree of marketization is rather low (Anttonen & Häikiö, 2011; Meagher & Szebehely, 2013). In this regard it is emphasized that welfare states of the "liberal" and "social-democratic" type follow differing paths in the marketization of care (Brennan et al., 2012).

The "conservative" welfare states are often neglected in studies of marketization. It is often alleged that these welfare states, who ideal-typically prefer family care (Esping-Andersen, 1990), despite reforms in care policies continue to put emphasis on the provision of care by family members (e.g. Leitner, 2013). It has been shown however that also some "conservative" welfare states like Germany have reformed their care policies (Fleckenstein & Lee, 2014) and introduced market principles in their care policy (Behning, 1999; Eichler & Pfau-Effinger, 2009). Bode (2010) and Pfau-Effinger and Rostgaard (2011) argue that also cross-national differences in the role of cultural ideas towards care, and towards the role of the state, can contribute to the explanation of differences in marketization in LTC policies.

When "marketization" in welfare state policy is empirically investigated, it is often defined differently. The concept of marketization is used by many researchers without an explicit definition or analyzable dimensions. There are also hardly any empirical studies on marketization that focus on the regulatory level of the welfare state institutions. Most studies are based on the actual structures of care provision. This is indeed an attractive approach from a methodological viewpoint, since thereby quantitative data could be obtained. However, it is methodologically unsuitable since the strengthening of market principles in the practice of care provision – i.e. an increase in the share of older people who receive care by for-profit providers – represents by no means a clear outcome of policies; this could instead reflect the influence of further, e.g. cultural, social or economic factors (Eichler & Pfau-Effinger, 2009). Only an analysis of the substance of policies on the level of the institutional regulations themselves gives information about the political incentives and restrictions affecting marketization.

Theoretical Framework – Cultural Ideas, Actors and Power Relations

The Concept of Marketization in Care Policies

In accordance with the definition on which our comparison is based, a market is the presence of a potential exchange relation between someone who supplies something and at least one person who demands it, on the basis of an exchange object and a medium of exchange (money).

Here, the relation of supply and demand regulates the price structure and various providers compete with one another. Several authors point out that real markets usually do not match this ideal of the market. Instead, markets are subject to manifold political regulations. Care markets have in general the character of "quasi-markets", since the competition is partly limited by state regulation and often only in part shows the characteristics of "ideal" markets (Bode, 2010; Le Grand & Bartlett, 1993; Nullmeyer, 2004). The degree of marketization in LTC policies differs, in our definition, to the degree the regulation by the political institutions of the welfare state limits the role of the principles of the "ideal market".

This article introduces an innovative approach to the concept of marketization that distinguishes between a demand-side and a supply-side dimension of marketization in LTC policies for older people. Marketization that addresses the supply-side affects the conditions under which care service providers act and include mainly the degree of provider competition and the degree of outsourcing of care services from the state to for-profit providers. The main focus of this article is on marketization in LTC policies on the demand-side that addresses the degree to which care-dependent older persons are expected to "buy" their care on "care markets" using their "consumer choice" (Clarke et al., 2007; Eichler & Pfau-Effinger, 2009; Rostgaard, 2006; Newman & Vidler, 2006; Vabø, 2006; Yeandle, Kröger & Cass, 2012).

The Theoretical Approach to the Explanation of Cross-National Differences

According to the first main assumption of the present article, a possible explanation for cross-national differences in the degree to which the new care policies in the 1990s supported the marketization of care lies therein, that already the previous care policies differed in their degree of marketization and in the cultural ideas they referenced. This argument is based on the "path dependency" approach in historical institutionalism, according to which institutions often develop without changing their main features (Pierson, 2001). However, we argue that it is possible that even if fundamental change in an institution takes place, it can develop path-dependently in some of its more marginal features.

According to our second assumption, cross-national differences in the degree of demand-side marketization in LTC policies can be explained by the political orientation of the governing parties. The classical "partisan politics approach" in political science is based on the assumption that the contents of policies are strongly influenced by the political orientation of the governing political parties (Hibbs, 1977). Therefore, leftwing or social-democratic parties prefer social

policies that aim at far-going redistribution (Allan & Scruggs, 2004), while rightwing or conservative parties tend to reject such policies and engage themselves in favor of restrictive social transfers and a "weaker" state (Alt, 1985; van Kersbergen, 1995). Party-political differences are traced to class differences in the composition of electorates and the correspondingly diverging interests of left- and rightwing parties (Esping-Andersen & Korpi, 1984; Stephens, 1979). Because marketization is often equated with a retreat from a welfare state orientation, policies that demand marketization tend to be considered the domain of rightwing politics (Budge, Klingemann, Volkens, Bara & Tanenbaum, 2001; Franzese, 2002; Obinger, Schmitt & Zohlnhöfer, 2014). Thus, it is often argued that above all rightwing parties have in the past realized policies based on neoliberal ideas (Mudge, 2008). A connection between the political orientation of parties and the promotion of certain forms of welfare state policies is however controversial (Häusermann et al., 2013). Thus Gingrich (2011) maintains that rightwing and leftwing parties have an interest in strengthening marketization. However, the specific kinds of marketization that they support do differ, and moreover may be influenced or restricted by other relevant factors (in a "constrained environment"). Other authors argue that especially in the area of new social risks such as LTC, and newer (such as neoliberal or libertarian) ideas, coalitions between political actors form more readily on the basis of themes (e.g. consumers' "freedom of choice") as "value coalitions", than on the basis of party membership (Häusermann, 2006).

According to our third assumption, differences in the main cultural ideas that were relevant in the policy process contribute to the explanation of differences in the degree of marketization in LTC policies on the demand-side, and their role in connection with actor constellations and power relations in the political process. "Culture" is defined here as a system of collective ideas relating to the "good" society, the "ideal" way of living and (morally) "good" behavior. The cultural system comprises cultural values, cultural models or "ideals", and worldviews; in brief, "cultural ideas". The main cultural ideas in a society surrounding welfare state institutions restrict the spectrum of possible policies of a welfare state, and these ideas can differ between different welfare states. Institutions can be stable as long as their cultural foundations are relatively stable and they are sufficiently legitimate for the population. However, it is also possible that the institutions may be contested and that certain actor groups attempt, on the basis of discourses, negotiation processes and compromises, to change them fundamentally or to establish new institutions based instead on new cultural ideas (Pfau-Effinger, 2005).

For such cultural ideas to be asserted it is significant in general that they have an affinity with certain types of political actors, whose interests and positions in the complex of political power relations are of relevance. It is plausible that political actors champion certain cultural ideas for strategic reasons, in pursuit of certain interests. But it is also possible that actors advocate for particular cultural ideas relatively independently of their own interests, which may apply for example to religious ideas. Such cultural ideas can also infiltrate from society outside the political sphere into the policymaking process (Pfau-Effinger, 2005). Cultural ideas can be significant in different phases of the policy process (Béland, 2009; Schmidt, 2002). Therefore, it should be important to understand in how far the two welfare states studied differ in the type of cultural ideas which the powerful actors in each invoked during the policymaking process.

Methodological Approach

Comparative Analysis of the New LTC Policies in Germany and Austria in the 1990s

The empirical study is based on a cross-national comparative analysis of the strengthening of market principles in the context of new LTC policies for older people in the mid-1990s. The selection of the study countries was based on a design of "most similar cases". It includes Germany and Austria, both of which represented the "conservative" welfare regime type in Esping-Andersen's (1990) typology in the 1990s.

While in the "social-democratic" welfare regime type the provision of LTC to older people is mainly the task of the state, and in the "liberal" type care is mainly treated as a matter of the market, it is characteristic for the "conservative" welfare regime type that the care provision for older people is primarily the task of the family and above all of women; the state has a rather low degree of responsibility for these tasks (Esping-Andersen, 1990). Against the background of a similar "conservative" starting position, we analyze in how far, in the reforms of LTC policies for older persons in both countries during the mid-1990s, the role of market principles was strengthened on the demand-side. The study is based on document analysis of legislative initiatives, laws, other relevant political documents and the analysis of secondary literature. We do not examine how the marketization in each case was implemented, or in how far it affects the actual structures and practices of care.

Operationalization of the Dependent Variable

The present study analyzes the degree of marketization in LTC policies on the demand-side, i.e. from the standpoint of the older person who receives financial support for the care from the welfare state, indicated by the extent to which it promotes or discourages the construction of care-dependent older persons as "care consumers" and market participants. For the measurement of the extent of marketization we analyze the relevant regulations in the care policy institutions regarding two indicators:

The first measures the degree of the policy's regulation of the older persons' decision in favor of a specific type of care, that is: (1) the type of care provider and (2) the kind of care services that will be funded by the welfare state. The second indicator measures the extent to which policies regulate the prices of the care provision. For both indicators, we differentiate between three levels of regulation (low, medium and high). The lower the degree of policy regulation in each case, the higher the degree of marketization on the demand-side and vice versa, since the policy regulation limits the free operation of market principles in the sense of an "ideal market".

The overall degree of policy regulation of "consumer choice" is calculated by the mean of the two indicators.

Operationalization of the Explanatory Variables – the Three-Step Approach

In order to explain the differences in the degree of marketization in LTC policies in Austria and Germany, the article first examines how much they differed in the degree to which their care policies already exhibited elements of marketization before the establishment of the new care policies in the 1990s.

In the next step, the article analyzes in how far the political orientation of the governing parties can explain the differences in Germany and Austria's LTC policies at the historical point of time when they were introduced in the early and mid-1990s.

In a third step, the article explores the role of cultural ideas and their relationship to political actors and power relations in the period of agenda-setting and policy formulation in the explanation of the differences in the degree of marketization in the new LTC policies. The period of policy formulation extended in both countries from the beginning of the concept development during the mid-1980s up to the establishment of the new policies in law in the early 1990s by the respective parliaments. In Austria this phase began in 1985 on the initiative of an influential disabled-persons' organization *Österreichischer Zivilinvalidenverband* (ÖZIV)

and ended in 1993 with the introduction of the new *Bundespflegegeldgesetz* ("Federal Care Allowance Act"), while in Germany it started mainly in 1984 with the first legislative initiative of the Greens Party and ended in 1995 when the new law, the *Pflegeversicherungsgesetz* ("Care Insurance Act", SGB XI) was introduced. We will show how relevant cultural ideas related to the new LTC policies entered the political process in its different stages, and how the relationship between political parties and policy ideas developed based on these cultural ideas during the process.

The article uses process tracing to analyze how the cross-national differences in the interaction of cultural ideas, actors and power relations during the policymaking period in both countries contributes to the explanation of the differences in the degree of marketization in the newly established care-policy institutions. According to a recent debate about comparative institutional research, process tracing is an adequate method to analyze the causal mechanisms based on historical chains of events that exert an influence on a dependent variable (Hedström & Ylikoski, 2010; Mahoney, 2012; Trampusch & Palier, 2016).

Results of the Comparative Analysis of the Degree of Marketization in the New Care Policies

The comparative analysis of the care policy institutions that were newly introduced in the mid-1990s in the German and Austrian welfare state shows that the degree of care marketization – in terms of the construction of the care recipients as "consumers" – was rather different. It was relatively high within the institutional context of the Austrian care policy, but relatively low in the institutions of the German care policy.

Germany

In 1995 the German welfare state implemented with the *Pflegeversicherungsgesetz* (SGB XI), a new LTC policy on the basis of a public Care Insurance co-financed from the contributions of employees and their employers. The new policy introduced a universal individual right to publicly funded care based on a health assessment by the Medical Service of the Care Insurance. The care-need level (1 to 3) and the chosen form of care determine the amount of financial support that the Care Insurance pays for the care provision (§15; §36-§43). The Care Insurance funds are obliged to guarantee to the care-dependent persons the financing of a needs-adequate

level of care conforming to generally recognized medical knowledge of care standards and on full coverage of the basic care (§69).

Care recipients can choose between care in residential care homes or in their own homes (§28). If they choose care at home, they can either receive care by external care providers or paid care by family members or someone within their closer social network, and they can also combine these two forms (§36-§38). For each form of care, the *Pflegeversicherungsgesetz* defines precisely the amount of money that is paid for each care level. If family members or acquaintances provide the care at home, the Care Insurance pays about half the amount that would be paid for the same care delivered by an external care service (§37).[1]

With regard to older persons' decision about the type of care provider, there is little regulation over their choice of external home care services or residential care, as they can choose between public, non-profit and for-profit providers (§2). However, the Care Insurance will only pay for the care if it is performed by providers approved as contractual partners by the local government, whose approval is based on specific standards (§29; §72-§73). If older persons in need of care choose the care provided by family members or someone from their closer social network, they receive a cash payment for this, but their choice of provider will be constrained. The specific caring person must have a contract with the Care Insurance for the performance of care services and be registered by name as the caregiver. Also, there is public supervision of the arrangement based on an interview with the care recipient in his/her own home, together with the appointed caregiver (§37).

The older persons' choice of service type in publicly paid professional home care and residential care is strongly regulated and legally fixed for each care level (§75). The same applies to the prices of external care services or residential care (§84-§85; §89-§90), since the Care Insurance pays only legally fixed amounts directly to the care providing organization (*Sachleistung*) (§36; §43). In regard to cash payments for care delivered by family members and acquaintances, there is only a minor policy regulation of the prices of care, since the *Pflegeversicherungsgesetz* does not fix any procedure that can guarantee that the cash is actually passed on to the caring family member. Thus, care recipients might have the option to keep the money for themselves or use

[1] In the new law from 1994: Paid family care (§37): level 1 = 205 EUR, level 2 = 410 EUR, level 3 = 666 EUR; External home care services (§36): level 1 = 384 EUR, level 2 = 922 EUR, level 3 = 1434 EUR; Residential care (§43): level 1 = 384 EUR, level 2 = 922 EUR, level 3 = 1434 EUR DM, special hardship cases = 1690 EUR (Conversion from German Mark to EUR: 0.512 DM = 1 EUR on 1 January 2002).

only parts of it to pay the family for their care. However, this would only be possible if the family caregiver offered to provide the care for free or at lower pay.

In sum, the degree to which the "consumer choice" of care recipients is regulated by the German *Pflegeversicherungsgesetz* of 1995 is medium to high, while the degree of marketization on the demand-side is low to medium.

Austria

In 1993, the Austrian welfare state introduced with the *Bundespflegegeldgesetz* a universal right for persons in need of care to receive a public allowance for care provision. Older persons who pass a health assessment are entitled to receive the tax-financed Care Allowance that should offer adequate financial support in line with the respective care-need level (1-7) (§4).[2] On the basis of this rather unregulated cash payment, care recipients are allowed to choose – whom they pay, at what hourly rate, for what care services and even whether they spend the cash at all for their care services. Differently from in Germany, the *Bundespflegegeldgesetz* included no restrictions or provisions for monitoring or controlling the way people use the cash payment. The legal framework of the LTC policy does not regulate the choice of provider types and kinds of services. There is also no policy regulation of the prices that care recipients are expected to pay for their care. Consequently, recipients of the Care Allowance were motivated to "shop around" on the "care market" for the best possible cost-saving care, in order to get the longest possible duration of care.

Altogether, the Austrian LTC policy has a very low degree of policy regulation of the older persons' "consumer choice" and therefore a high degree of marketization on the demand-side.

[2] In Austria based on the Care Allowance Act of 1993: Care Allowance at level 1 = 181.70 EUR, at level 2 = 254.40 EUR, level 3 = 392.40 EUR, level 4 = 588.60 EUR, level 5 = 799.40 EUR, level 6 = 1090.10 EUR, level 7 (complete immobility) = 1453.50 EUR (Conversion from Austrian Schillings to EUR: 13.76 Austrian Schillings = 1 EUR, on 1 January 2002).

Table 1: Comparative analysis of the degree of policy regulation of "Consumer Choice" in the mid-1990s

	Germany (1994)			Austria (1993)		
	low	**medium**	**high**	**low**	**medium**	**high**
Degree of policy regulation of older persons' choice of care provision (1)		**X**				**X**
Degree of policy regulation of prices of care provision (2)	**X**					**X**
Overall degree of policy regulation of "consumer choice" (3)	Medium-to-high degree of political regulation of "consumer choice" = **Low-to-medium degree of demand-side marketization**			Low degree of political regulation of "consumer choice" = **High degree of demand-side marketization**		

(1) The degree of policy regulation of older persons' choice of care provision is measured by two sub-indicators: 1) policy regulation of the choice of care provider and 2) policy regulation of choice of the kinds of care services. "High" = high extent of policy regulation regarding both indicators; "Medium" = high extent of policy regulation regarding one indicator; "Low" = high extent of policy regulation regarding none of the indicators.

(2) The degree of policy regulation of the prices of care provision is measured by the extent of legal regulation of the pricing of various kinds of care services. "Low" = no or low extent of legal regulation of prices of care services; "Medium" = partial regulation of prices of care services; "High" = high extent of legal regulation of prices of care services.

(3) The overall degree of policy regulation of "consumer choice" is calculated by the mean of indicator (1) and indicator (2).

Hypothetical Consequences of Different Degrees of Policy Regulation of "Consumer Choice"

In comparison with the higher degree of policy regulation of the care recipients' "consumer choice" in the German care policy institutions, the higher level of "consumer choice" in the Austrian care policy institutions is related to specific problems of the care situation from the perspective of the care recipients and care workers. Care recipients in Austria do not get any support to assure the quality of the care they receive, and therefore the risk exists of a relatively low quality of care. Additionally, since there is no public oversight of the pay and working conditions agreed between the care workers and care recipients, there is particularly high risk that the Austrian care policy may indirectly encourage precarious and low-paid work contracts of the care workers. The relatively strict regulation of the conditions of care provision in the German welfare state, on the other hand, offers more support to assure a good quality of care based on professional care work and formal employment relationships with regular standards of pay and social security. However, the low degree of "consumer choice" in the German LTC policy limits to a certain degree the option to choose services that perfectly match the individual preferences of the care recipients.

Explanation of the Differences between German and Austrian Care Policies

In this section, the reasons for the differences in the degree of LTC marketization of the two countries are explored. First, we examine whether elements of marketization in the previous LTC policies in the two conservative welfare states were present which could have facilitated a path dependent development of the reform process. Then the role of the political orientation of the governing political parties at the point of the introduction of the new laws is analyzed. After that, the political process ahead of the reform is analyzed in order to find out which cultural ideas entered the reform process, how they were adapted and promoted by different actors with different power positions, and in how far differences in the country-specific significance of the new cultural ideas subsequently led to different degrees of marketization in LTC policies.

The Role of Differences in the Institutional Foundations of LTC Policies

In both welfare states, LTC for older people was traditionally treated as mainly the task of the family (Behning, 1999; Österle, 2013). The foundation of this was the cultural family-ideal of the "housewife marriage" which presumed that married women were (by default) not gainfully

employed outside the home, or gave up employment as soon as they had family members for whom they had to provide unpaid care.

Before the introduction of the German *Pflegeversicherungsgesetz* in 1994, the welfare state was only responsible for the care provision if care-dependent older persons were not able to finance the necessary care and had no close relatives who could provide or finance it for them. The care costs in such cases were paid by the means- and wealth-tested social assistance program (*Sozialhilfe*) of the local governments. The older persons who received social assistance payments for their care provision had limited choice of care providers, who were mainly public or non-profit providers of residential care. There was also no choice of the kinds of services or prices of care that were directly paid by the social assistance system to the care providers. However, there was a significant poverty risk for care-dependent older people in residential care homes due to the comparatively high care costs, so that by the end of the 1980s up to 80 percent of residential care was financed by social assistance (Naegele, 2014). Altogether, there were no features of marketization in the German care system prior the introduction of the new policy.

Prior to the introduction of the Austrian *Bundespflegegeldgesetz* in 1993, older persons in need of care with low income and without the option of care given by relatives could receive public funding for care services based on social assistance from the local governments (Österle, 2013). However, additionally to means-tested social assistance, care-dependent older persons could receive a flat-rate, freely disposable "helpless person grant" (*Hilflosenzuschuss*) within the pension insurance or accident insurance schemes. The grant, usually not means-tested, was meant to be a low-level expense compensation for the care costs, but the level of pay differed greatly between the different insurance schemes (Behning, 1999). Since the use of the grant was not regulated in the old LTC policy, there was no regulation of the older persons' choice of provider type, kind of services or prices of care. Therefore, it can be concluded that in contrast to Germany's policy, the previous Austrian care policy already exhibited an element of consumer choice in the unregulated cash payment, so that the new Austrian policy was based on partial path dependency.

It would be plausible to conclude that the acceptance of the lower degree of policy regulation of the older person's "consumer choice" among the political actors and in the population during the period of the policy formulation in Austria was high because a similar element had already existed in the old LTC policy, and that the lack of such elements in the old German policy contributes to the explanation why it is also missing in its new LTC policy.

The Role of the Political Orientation of the Governing Party

Because the degree of marketization in the Austrian LTC policy was much higher than Germany's, where the state had a major role in the new policy, it would be plausible to assume that this can be explained by the greater role of a conservative or market liberal party in Austria and a greater role of a social-democratic party in Germany. However, the opposite was the case: the leading party in the Austrian government was a social-democratic party, whereas in Germany, it was a conservative party. Based on the specific political constellation in each of the two countries, these parties were forced to make compromises with parties of the opposite political orientation. Nevertheless, it is not possible to explain the differences in the degree of marketization in LTC policies by the different political orientations of the leading political parties.

In the phase before the introduction of the new care policy, the German coalition government administration was formed by the conservative CDU/CSU as strongest party, together with the much smaller liberal party, the FDP. The social-democratic SPD was the biggest opposition party. From 1991 it had a majority in the *Bundesrat* ("Federal Council"), which gave it the right to veto certain types of legislative proposals. The ruling CDU could determine policy in large measure, but it needed to set up its legislative proposals in such a way so that it could compromise both with their coalition partner, the FDP and with the opposition SPD. Thus, the legislative bill for the new care policy was based on a compromise between the conservative CDU/CSU and the various political camps.

In Austria, in the phase before the introduction of the new care policy, a coalition government was in power comprised of the social-democratic SPÖ and the smaller coalition partner, the conservative ÖVP. The two coalition parties at first could not reach an agreement on the new care policy. A central point of conflict was the question whether the state should support persons in need of care based on a cash payment or introduce an additional right to directly publicly financed care provision. While some in the SPÖ preferred a combination of cash payments and public care service provision, the smaller coalition partner ÖVP wanted only the introduction of a scantly regulated cash payment. By promising massive citizen protests in case the two parties had not found a compromise in the end of 1992, the organizations for the disabled as civil society actor had a decisive influence on the coalition parties so that they finally reached a compromise. Therefore, also in Austria the final decision on the new care policy in the early

1990s rested on a broad political compromise in which all the major political parties as well as civil society actors participated.

The Significance of Cultural Ideas, Actors and Power Relations in the Periods of Agenda-setting and Policy Formulation

In our literature review we found different complexes of ideal-typical cultural ideas that were relevant in the societies of the study and may have played a role during the political processes in the historical period between the early 1980s and mid-1990s in both countries. We distinguish between traditional cultural ideas such as etatist and conservative ones, as well as new cultural ideas like libertarian and neoliberal ideas. For each complex of ideas we explain their basic assumptions and also provide some examples of how these ideas are manifested in actual LTC policies.

Table 2: Main cultural ideas, which were relevant in the political process (1980s/1990s)

Cultural ideas	**Content**	**Example**
Traditional ideas		
- **Etatist ideas**	Etatist ideas assume that the welfare state has the main responsibility for the equitable organization, regulation and financing of care based on citizens' social rights (Esping-Anderson, 1990, 1999; Liebig & Wegener, 1995).	In LTC policies these ideas refer to the public funding and/or provision of care services.
- **Conservative ideas**	Conservative ideas on care mainly consider it a task for the family, while the welfare state should only intervene in case the family is not able to provide and/or fund the care itself (van Kersbergen & Kremer, 2008).	Based on these ideas LTC policies that promote professional care are poorly developed or fully absent so that care-dependent persons have to rely on unpaid family care.
New ideas		

- **Libertarian ideas**[3]	Libertarian ideas hold the cultural values of human dignity and human rights of persons in need of care to be central. It is assumed that both can best be guaranteed when care recipients can act on the basis of personal autonomy and available choices (Kitschelt, 1988; Le Grand, 2011).	Libertarian LTC policies support personal budgets for care recipients, which allows them to freely choose their preferred form of care service.
- **Neoliberal ideas**	Neoliberal ideas assume that care is a commodity like any other good on the market, where prices are regulated by the relation of supply and demand (Mudge, 2008; Schmidt & Thatcher, 2013).	In neoliberal LTC policies the welfare state puts older persons in need of care in the position to be able to buy their care services autonomously on the care market.

Tracing the Political Processes in Germany

The *Pflegeversicherungsgesetz* that was introduced in 1994 in Germany under the coalition government of conservative CDU/CSU and liberal FDP parties, was based on a combination of etatist ideas of the state financing and regulation of care provision on the one hand, and libertarian ideas of the option of older persons in need of care to choose between a service-based provision and a less strictly regulated cash payment on the other hand. Differently from the Austrian *Bundespflegegeldgesetz*, in the German law besides libertarian ideas, above all traditional etatist ideas played a decisive role.

The first proposal in the German parliament to combine etatist ideas of publicly financed care with the libertarian idea of a freely disposable cash payment was made in 1984 by the leftwing-ecologist party "the Greens" (*Grüne*) (Bundestag 10/2609). This proposal contained libertarian instead of neoliberal elements in the sense that it primarily aimed for the self-determination of the persons in need of care as a human right, and not at the promotion of an unregulated care

[3] These should be considered separately from other – rather far-right – libertarian ideas.

market in which the choice of the care-dependent only represents a means to increase efficiency and enable cost-cutting. Old etatist ideas were supported at the same time by the conservative-liberal government, which wanted to secure the public financing of the care services provision.

This proposal was presented in similar form at the level of the federal states (who precisely at the beginning of the political process represented a strong actor group) by the Hessian government SPD/Grüne coalition in 1986 as a legislative bill for a Care Insurance program, which was also supported at the federal level by the SPD. In it, older people would have the right to choose between publicly financed residential care and, alternatively, care at home. To support care at their own home the older people would have a right to a cash payment for care by family members or trusted others, and at the same time a right to publicly financed home care services (Bundesrat 81/86).

The importance of etatist ideas decreased markedly in the second half of the 1980s in favor of libertarian ideas. The SPD in 1986 changed also its position by joining the conservative-ruled states in their proposal, to introduce a weakly regulated cash payment that the older person in need of care should use primarily for care by family members, and only secondarily for home care services (Bundestag 10/6135). This proposal comprised libertarian as well as conservative ideas. The common goal of the federal states was to shift their costs of financing care to the national state. Also in a further legislative proposal of 1988, the SPD supported the libertarian wish for a purpose-related cash payment that could be used equally for either family care, home care services or residential care (Bundestag 11/3439). Contrary to that, the proposals of the conservative-liberal government coalition until the end of the 1980s were still based on traditional conservative ideas, whereby care was supposed to be primarily performed by the family and only in the case of the greatest care need supported by state-financed care services (Bundestag 10/6134; Gesetz zur Strukturreform im Gesundheitswesen ["Law on Structural Health Care Reform"] 1988).

The combination of etatist ideas of public financing and stricter regulation, with libertarian ideas of choice and self-determination was first taken up in 1991 in the run-up to the first elections after German reunification by actors of the two large parties, the ruling CDU and the opposition SPD, who now advocated the introduction of a public Care Insurance (Behning, 1999; Meyer, 1996). Against this background the SPD in 1991 presented in the parliament (*Bundestag)* its own legislative proposal for the public financing of care, which intended to combine a cash payment – for family care– with home care services and residential care, both directly financed through a Care Insurance (Bundestag 12/1156). Since the SPD as the largest

opposition party had the majority of seats in the *Bundesrat*, it had a legislative veto power enabling it to block the care legislation proposed by the coalition government in parliament. Therefore, the legislative bill of the governmental coalition in the parliament had to be a compromise acceptable both to the coalition partners CDU/CSU and FDP as well as to the opposition SPD. Consequently, the 1993 legislative project of the government coalition (Bundestag 12/5262) comprised as did the SPD's own proposal – for older people in need of care a right to publicly financed care and a more or less legally regulated option to choose between various providers and care forms. In the case that the older persons chose extra-familial care (at their own home, or in a residential care home), the care-costs were directly paid by the Care Insurance, and the cash payment for family care was state-regulated in terms of how the money could be used.

That etatist ideas besides libertarian ideas played such a significant role, could be on the one hand because the etatist ideas of a publicly funded care provision was more compatible in the east-German federal states that were oriented to the cultural ideal of the "dual breadwinner/state care" family model, than to conservative ideas of care by family members (Pfau-Effinger & Smidt, 2011), which lost importance in the final phase of the policymaking process. On the other hand the SPD's veto power contributes to the explanation why their influence was stronger on the government's final legislative bill than that of the smaller coalition partner FDP, which based on neoliberal ideas had advocated until 1992 for the introduction of a private care insurance system.

Tracing the Cultural and Political Processes in Austria

In contrast to Germany, the legislative process in Austria was above all dominated by libertarian ideas about the self-determination of persons in need of care, while etatist ideas of the regulation and organization of care provision did not play a great role. Decisive in the process that led to the introduction of the *Bundespflegegeldgesetz* was above all the influence that the civil-society organizations had on the definition of the problem and the design of the legislation by the government (Theobald, 2012). The process therefore developed much more as a bottom-up process, which was, particularly at the beginning, marked by the cultural ideas promoted by disabled persons' organizations such as the ÖZIV and the umbrella federation of persons with disabilities ÖAR (*Österreichische Arbeitsgemeinschaft für Rehabilitation*). These contributed mainly new libertarian aims about giving people in need of care a choice, in the sense of human dignity, to the policymaking process. The neoliberal idea that care as commodity, should take part in the free interaction of supply and demand, played here at first no role.

Already the first concrete legislative bill on the public support for LTC, formulated in 1985 by the disabled persons' organization ÖZIV, comprised besides the etatist ideas of public financing, above all new libertarian ideas. It intended that people in need of care should have a right to an unregulated cash payment that varied by level of care need and could be freely used (Behning, 1999). Moreover, the state should expand the care services and subsidize their cost, in addition to the cash payment in order to make professional care more affordable and accessible. Only after the opposition parties – the leftwing-ecologist GAL and the rightwing-liberal FPÖ – had introduced the ÖZIV's legislative proposal into parliament and made in 1987 the necessary resolutionary motion ("Entschließungsantrag"), was debate on the reform of LTC policy taken up by the political parties.

After the GAL's motion, in 1988 a working group of representatives of the federal states (regional level) and the national government and interest groups was called to deliberate over a new policy for persons in need of LTC. Relatively quickly a great unanimity became manifest among all participating political actors regarding the need for the state's financing of LTC (see Federal Ministry of Labour and Social Affairs, 1990). Moreover, there was a dominating consensus that, following the claim of the disabled organizations, new libertarian ideas of self-determination should have a central role in the reform of LTC policy. In this sense a cash payment for people in need of care should be introduced which could be used either for familial care or extra-familial care. Because some of the proposals made by conservative ÖVP and FPÖ aimed at a weak role of the state in LTC, traditional conservative ideas about the family as main provider of care remained relevant. Controversial was however until the final decision on the law in 1992 the question, whether the cash payment was to be directly complemented by publicly financed extra-familial service provision or not (see Federal Ministry of Labour and Social Affairs, 1990).

The ruling social-democratic SPÖ alone demanded, as a combination of etatist and libertarian ideas, the introduction of choice between a low-level regulated cash payment and extra-familial care services paid for directly by the state. Because the other participating actors, including the conservative ÖVP as smaller coalition partner, by contrast claimed to introduce only an unregulated cash payment, a deadlock resulted. This proposal was primarily grounded in libertarian ideas, but was also mixed with neoliberal ideas, which were supported in part by the ÖVP and FPÖ (Hammer & Österle, 2001). Some in the SPÖ, and the governments of a few other federal states, stood vehemently by the etatist idea of stronger state responsibility and

regulation, even after the first legislative bill of 1991 only included the introduction of an unregulated cash benefit for persons in need of care (Behning, 1999).

That at the end of 1992 it finally came to a decision of the government coalition on the introduction of the libertarian-oriented *Bundespflegegeldgesetz* depended to a certain extent on the announcement of massive civil-society protests by the disabled persons' associations. On the day of a planned major demonstration, a special commission of government ministers was called who agreed on the introduction of the law and immediately announced this decision without the participation of the "social partners" in the resolution, as is usual in Austria (Behning, 1999). The libertarian ideas of self-determination postulated from the beginning by disabled persons' organizations were in great part taken into consideration by the law, which came into force in 1993, while etatist ideas were still relevant only in regard to financing care. The libertarian goals were in Austria certainly helped by the fact that the claim for an unregulated cash payment was relatively unspecific and thereby could be supported also by parties representing rather neoliberal as well as conservative values. Additionally however, the intense civil-society protest probably led to a certain pressure on the societal actors involved to find relatively fast a compromise supportable to everyone.

According to our comparative analysis, both countries showed considerable differences in the degree of marketization on the demand-side. While the Austrian *Bundespflegegeldgesetz* was based on a low degree of political regulation of consumer choice, the German Care Insurance had a medium to high degree of political regulation. We assume that these differences can be explained based on differences in the previous care policy; the interaction of policy ideas and actor constellations at the point of the introduction of the new policy; and the relation between cultural ideas, political actors and power relations during the historical sequence of the policy formulation.

The findings of our analysis show that the higher demand-side marketization in Austria is based on partial path dependency, since market elements had been part of the previous LTC policy, and were absent in the previous German policy. The second step of our analysis indicates that it is problematic to explain the differences in the degree of marketization by the different political orientations of the leading political parties. In order to show to which cultural ideas this similar policy idea was linked, we analyzed the policy process in a third step. Our results demonstrate that in Germany the new care legislation was mainly based on etatist cultural ideas in combination with (to a lower degree) libertarian cultural ideas. By contrast, in the new

Austrian care policy libertarian cultural ideas occupied center stage, while etatist ideas were only relevant to the financing but not the regulation and organizing of care.

Conclusion

In the context of welfare state reforms since the 1990s, the German and Austrian governments have introduced new LTC policies for older persons in need of care. Since both welfare states are rather similar in many respects, and both were characterized as the "conservative" welfare regime type in Esping-Andersen's approach, one would expect that also the new care policy institutions would be similar in their main features.

However, there are substantial differences between the two welfare states regarding LTC policies for older people, and the degree of marketization of LTC on the demand-side. The Austrian care policy is solidly based on the concept of the "care consumer" who buys care on the "care market" for an unregulated cash payment. The relatively low level of regulation of consumer choice provides a strong incentive to the care recipients to hire a family member or a low-skilled care worker (with a precarious status, as formal employment or as undeclared work) for the care provision, because this lets them buy a maximum duration of care time at a relatively low price. In contrast, the degree of marketization of care is relatively low in the German policy, which is based on a higher degree of policy regulation of external care services for care-dependent older people, with legally fixed prices for the care provision and the official licensing of providers allowed to offer care services. This kind of care policy better supports professional care work based on standardized payment, social security rights and other legal standards required of standard employment relationships. If older persons get payments for care by a family member in the context of the *Pflegeversicherungsgesetz*, it is expected that they pay for the amount of care hours received from the family caregiver, which is legally fixed.

To explain the differences in the degree of demand-side marketization in the two countries, the study applied a three-step approach according to which differences can be explained by path dependence of the role of market elements in the previous care policy; the political orientation of the governing party at the point of the introduction of the new policy; and the role of cultural ideas in the political process of the policy formulation.

It turns out that path dependence of elements of marketization in the previous LTC policy contributes to the explanation: a market element on the demand-side existed already in the

previous LTC policy in Austria, but not in Germany. Furthermore, cultural ideas in the political process are highly relevant in explaining the differences in the marketization of care in the two countries. In Germany, policy proposals discussed during the political process were mainly based on etatist ideas of public control on one hand, and on libertarian ideas on the other. In Austria, etatist ideas for a stronger regulation of LTC played a greater role at the start of the policy formulation period, but they lost importance during the political process, while libertarian and to some degree also neoliberal ideas gained importance. The social movement of disabled people also played an important role and even increased its power during these processes, since its libertarian policy proposal was strongly supported by the population and to an increasing extent also by different political parties. The example of Austria shows that care policy marketization does not necessarily have its roots in neoliberal ideas. Instead, it can also be based on libertarian ideas. What they have in common is their opposition to etatist ideas of heavy regulation by the welfare state. The findings also show that there is no clear relationship between the country-differences in the general political orientation of the governing parties and the differences in the degree of marketization.

The study offers a new, innovative contribution to the further development of theory and research on the reason welfare state reforms can take different directions, with a specific focus on the explanation why LTC policies for older people can differ regarding the degree of marketization. They also contribute to theory and research on the role of cultural ideas in change in welfare state institutions. Further research that includes more types of welfare regimes can offer more in-depth results in this regard.

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