Introduction

This chapter examines the ‘Third Way’ in social policy. The term is generally associated with the British academic Anthony Giddens and the New Labour government in Britain from 1997 to 2010, especially with Labour Prime Minister between 1997 and 2007, Tony Blair. The Third Way label featured highly in the 1997 Labour Election manifesto and the government’s early policy documents. Blair (1998) wrote a pamphlet entitled ‘The Third way’. However, the main point of reference is generally taken as Giddens’ (1998) text, ‘The Third Way’. Giddens (1998: vii) claims that the term ‘third way’ is of no particular significance in and of itself. Similar terms such as ‘progressive governance’, ‘modernising social democracy’ and the ‘modernising left’ have been used.

Many commentators regard the Third Way as an Anglo-Saxon construction, based on Clinton’s New Democrats in the USA and Blair’s New Labour in the UK. However, Giddens (1998: viii) writes that some policies such as active labour market policy draw inspiration more from Scandinavia than from the USA. Moreover, former Dutch Prime Minister Wim Kok is sometimes seen as the first real leader of the Third Way, and some themes can be seen in the Australian Labour Party under Bob Hawke and Paul Keating in the 1980s and 1990s (Pierson 2001).

According to Giddens (2002: 3–4), the third way debate is a worldwide phenomenon, and almost all centre-left parties have restructured their doctrines in respect to it. However, very few social democratic parties explicitly associate with the third way label (briefly Germany, Belgium and Italy) and even then it was favoured more by liberals than social democrats (Bonoli and Powell 2004). Nevertheless, third way themes were found in countries such as the Netherlands, Belgium, France, Germany, Austria, Sweden and Portugal (Bonoli and Powell 2004). However, Reich (1999) writes that the continental version is clearly to the left of the Anglo-Saxon one. Put another way, although labels may vary, contents – albeit spoken with different accents – are similar in a number of countries. In this sense, rather than the third way, there are third ways (Giddens 1998; Bonoli and Powell 2004).

In recent years, social democratic parties in many Western countries have suffered a remarkable electoral decline (Karreth et al. 2013). As British Labour politician David Miliband put it in 2011,
We are living through a period of right-of-centre political dominance in Europe not seen in the whole age of democratic suffrage. In Britain, Germany, France, the Netherlands, Italy and Sweden, six countries with good claims to represent the historic heartland of social democracy, there are now centre-right governments. This has not happened since the First World War.

(Quoted in Karreth et al. 2013)

Commentators appear divided about whether this is part of a long-term decline (e.g. Diamond 2016), a reaction to the Third Way (e.g. Huo 2009; Arndt 2013; Arndt and van Kersbergen 2015; Dostal 2015; Schwander and Manow 2017), as a response to the financial crisis (e.g. Economist 2016), or that the Third Way briefly stemmed the long-term decline (e.g. Economist 2016).

Whatever the explanation, there can be little doubt that social democracy has major problems, with many publications employing terms such as ‘crisis’ or ‘endgame’. Recent years have witnessed many ‘worst-ever results’ in national parliamentary and European elections (Diamond 2016; Economist 2016). For example, in national elections in EU states in 2015, social democrats lost power in Denmark, fell to their worst-ever results in Finland, Poland and Spain, and came to within a hair’s-breadth of such a nadir in Britain (Economist 2016). In other nations, the centre left is in power: as an unloved and ideologically vague junior party of government in Germany and the Netherlands and at the helm of wobbly coalitions in Sweden, Portugal and Austria, all countries where it was once a natural party of government. (Economist 2016). The few exceptions to this picture include Italy and Malta (Economist 2016; Diamond 2016). Political scientists looking at Europe’s centre left talk of a continent-wide ‘Pasokification’ (after the decline of the traditional Greek left party PASOK whose support fell from around traditionally 45 per cent to about 4 per cent in 2015) (Diamond 2016; Economist 2016). However, in 2017 the British Labour Party, with Labour leader Jeremy Corbyn, rejected the ‘Third Way’ of ‘New Labour’ for an ‘old left’ statist platform and made significant electoral gains, forcing the Conservative Party to rule as a minority government. Whether this suggests a future left revival, or was due more to the weak Conservative performance, with the (new) ‘longest suicide note in history’ manifesto and the poorest campaign by a prime minister in living memory, remains to be seen.

Core concepts

There remains much uncertainty about the precise nature of the ‘Third Way’. As Pierson (2001: 130) puts it, it has been hotly contested but consistently underspecified. For some, it is a ‘middle way’ between market and state. For others, it transcends or goes beyond these terms. While many critics portray it as tending towards neoliberalism or Christian Democracy (Powell 2004: 4), its supporters such as Blair (1998), Blair and Schroder (1999) and Giddens (1998) regard it as a left-of-centre position, concerned with the renewal of social democracy. As Reich (1999) puts it, if the themes of deregulation and privatisation, free trade, flexible labour markets, smaller safety nets and fiscal austerity were all there was to it, the Third Way wouldn’t be a third way at all. It would be the Second Way, blazed by US President Ronald Reagan (1981–1989) and UK Prime Minister Margaret Thatcher (1979–1990). But there is more: with the crucial difference being the distinct theme uniting UK Prime Minister Tony Blair (1997–2007), US President Bill Clinton (1993–2001), German Chancellor Gerhard Schroder (1998–2005), and French Prime Minister Lionel Jospin (1997–2001), the economically displaced must be brought along. Rather than redistribute income to them (the First Way), the idea is to make it easier for them to obtain good jobs and thus become economic winners.

A number of tables indicating the main characteristics of the Third Way have been produced, which broadly compare the old left, new right and third way (e.g. Giddens 1998: 18; Powell
However, it is important to differentiate discourse, values, policy goals and policy means or mechanisms (see Powell 2004).

The third way generated a new discourse or a new political language. For example, Clinton and Blair shared a number of key slogans or mantras such as being ‘tough on crime; tough on the causes of crime’; ‘a hand up, not a hand out’; ‘hard-working families that play by the rules’, and ‘work is the best route out of poverty’. The third way was a political discourse built out of elements from other political discourses to form, in Blair’s term, political ‘cross-dressing’. The language of the third way was a rhetoric of reconciliation such as ‘economic dynamism as well as social justice’, ‘enterprise as well as fairness’.

Blair (1998: 3) writes that four values are essential to a just society: equal worth, opportunity for all, responsibility and community. However, the values of the third way remained problematic. This is mainly for two reasons. First, adequate understanding of values required more than one-word treatments. Terms such as ‘equality’ as essentially contestable concepts meant different things to different people (see below). Second, and linked, it is not clear whether the third way was concerned with ‘old’ values, new or redefined meanings of old values, or new values.

Blair claimed that policies flow from values. In this sense, goals or objectives may be seen as a more specific operationalisation of values. For example, ‘equality’ may result in very different policy objectives such as equality of opportunity or equality of outcomes. New Labour probably set itself more targets than any previous British government. Critics who argue that all of New Labour’s aims are less radical than Old Labour were wide of the mark. Old Labour would be proud of the introduction of the national minimum wage, and of the child poverty and health inequality targets, although in some cases delivery did not match ambition (see below).

It was claimed that traditional values and goals must be achieved by new means. In some ways this had parallels with ‘Croslandite revisionism’. ‘Third wayers’ argue that the world has changed and so the welfare state also has to change: ‘new times’ call for new policies. In his introduction to the 1997 manifesto, Tony Blair claimed that ‘In each area of policy a new and distinctive approach has been mapped out, one that differs from the old left and the Conservative right’ (in Powell 1999: 7, 13). Table 17.1 adapts the table presented in Powell (1999),

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Old Left (OL)</th>
<th>Third Way (TW)</th>
<th>New Right (NR)</th>
<th>Move of rhetoric</th>
<th>Move of policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach</td>
<td>Leveller Rights</td>
<td>Investor Both rights and responsibilities</td>
<td>Deregulator Responsibilities</td>
<td>NR?</td>
<td>NR?</td>
</tr>
<tr>
<td>Citizenship</td>
<td></td>
<td></td>
<td></td>
<td>TW</td>
<td>TW?</td>
</tr>
<tr>
<td>Outcome</td>
<td>Equality State</td>
<td>Inclusion Public/private; civil society</td>
<td>Inequality Private</td>
<td>TW</td>
<td>NR?</td>
</tr>
<tr>
<td>Mixed economy of</td>
<td>Command and control</td>
<td>Cooperation/partnership</td>
<td>Competition</td>
<td>NR</td>
<td>NR</td>
</tr>
<tr>
<td>welfare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mode</td>
<td>Command and control</td>
<td>Cooperation/partnership</td>
<td>Competition</td>
<td>NR</td>
<td>NR</td>
</tr>
<tr>
<td>Expenditure</td>
<td>High</td>
<td>Pragmatic Low</td>
<td>Low</td>
<td>TW</td>
<td>OL</td>
</tr>
<tr>
<td>Benefits</td>
<td>High</td>
<td>Low? Both?</td>
<td>Low</td>
<td>TW</td>
<td>TW</td>
</tr>
<tr>
<td>Accountability</td>
<td>Central state/ upwards</td>
<td>Left of centre/post-ideological</td>
<td>Market/ downwards</td>
<td>NR</td>
<td>NR</td>
</tr>
<tr>
<td>Politics</td>
<td>Left</td>
<td>Left</td>
<td>Right</td>
<td>TW</td>
<td>NR</td>
</tr>
</tbody>
</table>

1999, 2004, 2016). However, it is important to differentiate discourse, values, policy goals and policy means or mechanisms (see Powell 2004).
adding two columns that seek to update the ‘blueprint’ of the Third Way in terms of moves in rhetoric and policy.

**Analysis**

This section focuses on the British Labour government (1997–2010), examining the content and evolution of Third Way social policy. It focuses on changes in rhetoric and policy content over time.

**Approach**

New Labour emerged during the long period of opposition to the Conservative government of 1979 to 1997. The then Labour leader, John Smith, set up the Commission on Social Justice (CSJ 1994) which flagged up many elements of the third way. This has parallels with Giddens’ (1998: 117) view of the third way as being based on investment in human capital, resulting in a ‘social investment state’ (see below) operating in the context of a positive welfare society. The key concerns of an investor’s welfare state may be seen in four areas: an active, preventive welfare state; the centrality of work; the distribution of opportunities rather than income (see below); and the balancing of rights and responsibilities (see below).

The issue of prevention differentiates an active from a passive welfare state, and has clear similarities with Giddens’ (1998) discussion of positive as opposed to negative welfare (see also Chapter 2). Paid work was central, with key slogans of ‘work for those who can; security for those who cannot’ and ‘making work pay’. It stressed ‘full employment’, but this was to be achieved in terms of ‘employability’ through the ‘supply-side’ than by ‘old’-style Keynesian demand management. A work-centred social policy had a mix of carrots (e.g. national minimum wage; in-work benefits of tax credits) and sticks (e.g. sanctioning benefits). On the other hand, critics argue that there was an element of US policy that tended to ‘starve the poor back into work’ through low or time-limited benefits.

**Citizenship**

It was argued that Old Labour stressed rights while the New Right stressed responsibilities. According to Giddens (1998: 65, italics in original) ‘One might suggest as a prime motto for the new politics, no rights without responsibilities’. The most obvious domain concerns the obligation to look actively for work. However, in principle, unemployment benefits were always underpinned by job-search obligations. The rhetoric of conditionality was not new, but the third way involved more active enforcement, and a changing balance of carrots and sticks for different groups.

**Outcome**

The Third Way aims for inclusion rather than the old equality of outcome of the Old Left and inequality of the New Right. Blair stated that he aimed for ‘a diverse but inclusive society’, (quoted in Powell 2002: 26). According to Giddens (1998: 102–103), the new politics defines equality as inclusion and inequality as exclusion. While Giddens is concerned about levels of inequality of income and wealth, he seems to stress ‘civic liberalism’ or inclusion within the public realm (see Powell 2002). However, New Labour was ‘relaxed’ about people being ‘filthy rich’ (Toynbee and Walker 2010: 199).
Rather than stressing greater equality of outcome, New Labour stresses equality of opportunity, but a ‘radical’ or ‘maximalist’ version of equality of opportunity (Giddens 1998; Powell 2002) Blair was concerned about life chances, meritocracy and social mobility (Powell 2002: 23–24). However, New Labour’s health inequalities targets were missed, as inequalities rose rather than fell (Toynbee and Walker 2010). There are significant doubts about whether the commitment to end child poverty by 2020 will be achieved.

**Mixed economy of welfare**

It is claimed that Old Labour favoured state, while the New Right favoured the private and voluntary sectors. Giddens (1998: 99) writes that third way politics advocates a ‘new mixed economy’. He supports movement from a welfare state to a welfare society (pp. 127, 117–118).

New Labour’s first sign of a changed view of the private sector came in its 1997 manifesto. Only a few years previously, the Conservatives’ ‘Private Finance Initiative’ (PFI, where facilities are built and operated by the private sector and leased to the public sector, typically for 25 to 35 years) had been termed ‘totally unacceptable’ and ‘the thin end of the wedge of privatisation’ (Shaw 2007). New Labour relied heavily on such ‘Public–Private Partnerships’ to deliver improvements in public infrastructure such as the ‘largest hospital building programme in the history of the NHS’. It later stressed the importance of promoting greater plurality or diversity in supply, and promoted a concordat with private providers, ‘Independent Sector Treatment Centres’ (ISTC) and new autonomous organisations (‘Foundation Trusts’) (see Shaw 2007). There was also broad encouragement of provision by the voluntary sector and by ‘social enterprise’ as part of stimulating ‘civil society’.

**Mode**

Early New Labour rhetoric stressed the importance of collaboration (cooperation, partnership, networks) rather than command-and-control or competition. However, while there was always a mixture of approaches, there is little doubt that in practice Labour relied heavily on command-and-control (performance management, ‘targets and terror’) which has now given way to increased competition over time. Having attempted initially to abolish markets in sectors such as healthcare, New Labour reintroduced and extended choice and competition, stressing the importance of individual choice in sectors such as healthcare, social care and education.

**Expenditure**

New Labour aimed to be ‘wise spenders’ not ‘big spenders’. This appears to have two main elements. First, ‘investment’ in facilities or human capital or benefit for the non-working population is ‘good’, but ‘relief’ for the working population is ‘bad’, termed ‘the bills of economic and social failure’. Second, services should be judged by outputs and outcomes rather than by cash inputs (Powell 1999: 21–22). In 1997 New Labour rejected Old Labour ‘tax and spend’, and promised to stick to planned Conservative spending limits. There would be ‘prudence for a purpose’. However, Labour later increased public spending, resulting in a rise of over 50 per cent since 1997 which was termed ‘return to spender’ or a ‘return to Old Labour’ by the right (Butler 2009; but see Toynbee and Walker 2010).

With the financial crisis of 2007, it was clear that (to use the words of British Labour Cabinet Minister Tony Crosland about the 1970s Labour government) ‘the party’s over’. Putting all
these diverse arguments together, it might be fair to say that Labour’s spending achieved some positive results, but probably not as much as would have been hoped. In short, contrary to the claim, Labour tended to be big rather than wise spenders.

**Benefits**

The New Labour view of individual benefits is less clear in its view of overall spending (see above). However, there are a number of reasons to suspect that benefits were to be less generous than Old Labour. While the balance between carrots and sticks may vary between groups, ‘making work pay’ must imply some degree of ‘less eligibility’ to use the term of the New Poor Law. In short, Labour appeared to favour ‘investment’ over ‘spending’, resulting in prioritising collective provision (such as schools and hospitals) over individual benefits.

**Accountability**

While Old Labour favoured state/upward accountability and the New Right favoured market/downward accountability, New Labour stressed both. In practice, this resulted in a complex and confused web of accountability. At times, New Labour talked ‘localism’ but carried out centralisation through central performance management. Labour claimed to square the accountability circle through ‘earned autonomy’ which was defined as ‘intervention in inverse proportion to success’, but this essentially meant ‘the power to do what we tell you’.

**Politics**

As discussed above, while New Labour stressed that the Third Way was a centre-left project, a number of critics considered that it had more in common with neoliberalism. These different readings are ultimately influenced by ideology (see below), but it is hard to resist the argument that both in discourse and policy New Labour moved more to the right over time. Another strand of Third Way politics stresses a pragmatic rather than an ideological nature. Instead of old dogmas, it is claimed that ‘what counts is what works’ and ‘evidence-based policy’ is emphasised.

**The Third Way legacy**

There are a number of ways of examining the Third Way legacy. In terms of politics, Tony Blair was the longest serving British Labour Prime Minister, and his three election victories led to the longest Labour government in British history. Just as New Labour embraced ‘post-Thatcherite’ politics, having to take certain elements of Conservative politics as ‘given’, it is possible that the Conservative–Liberal Democrat government (2010–2015) and Conservative government (2015–) embraced ‘post-Third Way’ politics to some degree (see e.g. Bochel and Powell 2016). As seen earlier, the period around the turn of the century briefly saw ‘Third Way’ governments in power across much of Europe.

‘Intrinsic evaluation’ examines the achievements of the third way in its own terms (Powell 2008). Blair’s resignation in 2007 and later New Labour’s electoral defeat in 2010 saw a range of judgements so different that it was difficult to believe that commentators were examining the same events. According to Toynbee and Walker (2010), the great expectations in 1997 were almost bound to bring disappointment. They conclude that the good Labour did and the bad they avoided make an impressive list (p. 298). However, it wasted the extraordinary opportunity
of ten years of economic prosperity and secure parliamentary majorities under a leader of great political talent, facing only weak opposition (p. 303). They sum up a performance of, say, six out of ten, which was not good enough (p. 304). On the other hand, while admitting that its record is ‘distinctly patchy’, Giddens (2010) writes that it is possible to mount a robust defence of many of Labour’s core policies, and that it would be hard to deny that it had far more impact than did any of the other roughly contemporary centre-left administrations of Clinton, Jospin and Schroder.

According to Blair’s resignation speech, there is ‘only one government since 1945 that can say all of the following: more jobs, fewer unemployed, better health and education results, lower crime and economic growth in every quarter’ (Powell 2008: 259). Some of this changed with the brief and unhappy period of Gordon Brown’s premiership (2007–2010) which saw the scandal of MPs’ expenses, a banking crisis, an economic crisis, and the need to sharply reduce public expenditure and the national debt.

It is difficult to sum up all these diverse strands, but the Third Way probably saw few paradigmatic changes for three reasons. First, many of New Labour’s themes built on earlier Conservative reforms (especially the later rather than the earlier years of New Labour). Second, it is difficult to specify the ‘counterfactual’: what the Conservatives would have done if the party had been re-elected in 1997. Third, there was no clear linear policy development over time, as policy changed in a series of phases with some U-turns. There were many changes over time. If we had ‘New Labour’ and the ‘third way’ in 1997, perhaps we had in later years ‘New New Labour’; ‘Even Newer Labour’ or the ‘Fourth Way’.

From a wider international perspective, Ryner (2010) writes that while European social democrats looked to New Labour, New Labour was in turn taking inspiration from Clinton’s New Democrats in the United States and their pursuit of welfare objectives through markets. Keman (2010) points out that in some countries – most notably Australia, Flemish Belgium, Finland, Germany, Great Britain, Italy, the Netherlands and Sweden – not only is there a move towards the ‘radical centre’, but this is also accompanied by more emphasis on Third Ways ideas and less on maintaining the traditional welfare state.

The Third Way is dead [...] long live social investment?

While some commentators discuss ‘post-third way politics’, Arndt and van Kersbergen (2015) point to ‘all-too-early TW obituaries’ (e.g. Ryner 2010).

According to Taylor-Gooby et al. (2015), a substantial literature in recent years points to the development of new directions in state welfare, variously termed the ‘new welfare state’, ‘social investment’, ‘active social welfare’, ‘new risk’ welfare and ‘pre-distribution’, or the ‘Third Way’. However, while there has been little discussion of the ‘Third Way’ in recent years, it may have changed in a chameleon fashion into another term. This section focuses on the links between the Third Way and social investment.

Social investment has been seen as a ‘new paradigm’ (e.g. Morel et al. 2012; Cantillon and van Lancker 2013; Hemerijck et al. 2013; Hemerijck 2015), and a ‘new policy orthodoxy’ (Van Kersbergen and Hemerijck 2012). According to Smyth and Deeming (2016), the ‘social investment perspective’ arguably represents the very latest justification for social policy to guide the development of the economy and society in the twenty-first century. However, the term seems to have unclear origins. According to Lister (2003), the term was coined by Giddens (1998) in his articulation of the third way, but an earlier template was provided by the Commission on Social Justice (1994) in its vision of an ‘Investors’ Britain’. On the other hand, Smyth and Deeming (2016) argue that from a longue durée perspective, the idea of social investment has
always been a foundational idea in social policy. Deeming and Smyth (2015) claim that the early origins of the social investment perspective are traceable to the founding of the Swedish social democratic welfare state in the 1930s, and the arguments of Swedish social democrats who viewed social policy as an investment rather than a cost. Hemerijck (2015) relates it to the pioneering work of the Dutch Presidency of the EU in 1997, the EU Lisbon Agenda of 2000, with the underpinning philosophy given explicit impetus with Esping-Andersen et al. (2002), commissioned by the Belgian Presidency of the EU in 2001. Kvist (2013) points out that the European Commission’s (2013) Social Investment Package of investing in children has headings such as ‘the new welfare state’, ‘productive social policy’ and ‘the enabling welfare state’, which have resonances with material from scholars dating back to the 1930s in Sweden, and the European Union and other international agencies such as the OECD and the IMF.

However, like the Third Way, it seems that it is difficult to clearly define the term, and specify its core elements. Commentators offer a different number and content of features. For example, Deeming and Smyth (2015) write that despite some of the conceptual vagueness, two core features may be observed: investment in human capital and the objective of full labour market participation. Peng (2011) states that it has three core ideas: (1) reintegration of social and economic policies; (2) a shift from redistributive state to facilitative state; and (3) economic activation through human capital investment. According to Morel et al. (2012), the core elements include publicly funded childcare and education programmes; investment in human capital, skills and lifetime learning; tackling unemployment, particularly youth unemployment, through active labour market policies; and creating a ‘learning economy and society’.

Cantillon and Van Lancker (2013) state that the two key publications underpinning the intellectual framework of social investment are at odds regarding the role of social protection. While social investment as put forward by Giddens (1998) which heavily influenced Third Way politics should ultimately replace traditional forms of social protection, Esping-Andersen et al. (2002) draw upon the Scandinavian variety of social investment to argue that social investment and traditional social protection are both indispensable.

Some ‘Anglo’ commentators discuss these different perspectives (e.g. Lister 2003; Deeming and Smyth 2015; Smyth and Deeming 2016), but some ‘continental’ commentators do not cite Giddens (1998) (e.g. Van Kersbergen and Hemerijck 2012; Kvist 2013), or provide only ritual reference (e.g. Hemerijck et al. 2013; Hemerijck 2015). This may be due to a preference for the ‘social democratic’ rather than the ‘third way’ version (e.g. Hemerijck et al. 2013), but may gloss over debates about origins (above) and current policies (below).

Deeming and Smyth (2015) state that scholarship continues to observe distinctions between different ‘worlds’ and ‘varieties’ of social investment regime, with further distinctions between different investment strategies, which may be described as ‘strong’ or ‘weak’ or Nordic ‘heavy’ and Liberal ‘light’.

Social investment appears in many countries across different continents (e.g. Jenson 2010; Peng 2011). For example, Peng (2011) differentiates two types. Whereas Canada and Australia have focused their social investment policies on children (an ‘invest in the future’ model), Japan and South Korea have approached social investment from a more general human capital and economic activation perspective (a ‘human capital activation’ model).

Morel and colleagues (2012) contrast a more ‘social democratic’ approach inspired by the example of the Nordic countries and a ‘Third Way’ approach based on a more ‘Anglo-liberal’ perspective on social policy. They present a 2x2 matrix with axes of social investment expenditure and compensatory expenditure. This produces four cells of low/high (continental and Southern Europe); high/high (Nordic countries); low/low (USA), and high/low (UK). Similarly, Hemerijck et al.
(2013) and Bouget et al. (2015) point to differences between social investment in continental and Nordic countries and the UK.

The link to and influence of the Third Way remains unclear. While Hemerijck et al. (2013) note that the EC (2013) follows the social democratic variant, Morel et al. (2012) claim that the Third Way approach, with its strong emphasis on activation, has had more influence on the policy orientation and developments in Europe than the social democratic variant. They argue that this is problematic in that the Third Way approach does not represent enough of a clear break from neoliberalism. Deeming and Smyth (2015) claim that the social investment policy platform was inspired by Giddens’ (1998) ‘Third Way’, and later embraced by the European Commission and the OECD. Peng (2011) writes that New Labour’s conceptual framework towards social investment has been adopted by countries not only in the English-speaking world but also in East Asia, including Japan and South Korea.

The final issue is the extent to which social investment has translated from discourse into policy implementation. This gives a very mixed picture. According to Morel et al. (2012), despite examples of ‘good practice’, the general picture is that the social investment glass is almost empty. Hemerijck and colleagues (2013) claim that many reforms in European nations were based increasingly on the idea of social investment. On the basis of public opinion in France, Denmark and Britain, Diamond and Lodge (2013) argue that public support for tackling ‘new’ social risks is fragile at present, and that the global financial crisis appears to have reinforced the ‘traditional’ welfare state consensus based on higher pension payments, and prioritising public expenditure on health. As a consequence, support for transitioning to a ‘social investment’ state in Europe is relatively muted. In other words, a rational response by vote-seeking politicians may be to cut back ‘family-friendly’ service-orientated areas of welfare provision in comparison with healthcare and pensions entitlements. Kvist (2013) examines whether EU policy strategies and national welfare reforms follow a social investment approach. In analysing developments of social investment strategies and policies in three life-stages, he finds that many EU strategies embody elements of a social investment strategy, whereas the impact of the crisis upon the national level differs across countries, life-stages and policies. In most countries, the overall policy impact of the crisis seems to be small upon childcare coverage, large on youth polarisation and to increase retirement ages. He concludes that the overall evidence points towards social investments adopting a larger role in Europe following the crisis.

Bengtsson and colleagues (2017) draw upon quantitative and qualitative data to investigate the degree to which there have been shifts in the social investment aspects of labour market policies in eight countries across four welfare state regimes following the 2008 financial crisis. They find: moving away from social investment (Denmark and Sweden); weakening social investment (France and Germany); moving further away from social investment (Italy and Spain), and few signs of social investment (Lithuania and Poland). They conclude that in overall terms there is little evidence of enhanced social investment orientation in labour market policies in the eight country cases. If this trend continues across Europe, there is a risk that social investment will become lost in translation and end up as a clearer neoliberal version of workfarism.

**Conclusion**

The British Third Way was a remarkable electoral success, but its influence in terms of lasting impact upon the British welfare state, influencing subsequent governments and governments in other countries remains far from clear. The British Labour government appeared to adopt more neoliberal characteristics, and it eventually ran out of ideas, steam and money as boom turned to bust in the financial crisis. In terms of policy impact, it can claim some positive results but it
fell short of own grand aims. New Labour promises of ‘welfare reform’, ‘world-class public services’ and a ‘modern welfare state’ have only been partially delivered, resulting in an incomplete New Labour legacy. There was a sense of ‘implementation failure’ as a large increase in inputs resulted in a less significant increase in outcomes. Blair’s legacy is probably less far-reaching than Attlee (1945) or Thatcher (1979), in the sense that their governments made it almost impossible to return to previous policies.

One major problem is that many analyses of the Third Way appear rather narrow and largely confined to labour markets and benefits (e.g. Huo 2009; Arndt 2013; Arndt and van Kersbergen 2015; Dostal 2016; Schwander and Manow 2017). However, it is important to also explore wider areas of social policy.

It may be argued that some of the key features of the Third Way live on both in ideas such as the ‘Big Society’ and Philip Blond’s ‘Red Tory’ which may be seen in the British Conservative/Liberal Democrat Coalition government (2010–2015) (Bochel and Powell 2016), and in international terms in policies in other countries and in influences on agencies such as the World Bank. There is clearly some shared ground between New Labour and the Coalition governments. The Economist (2016) argues that voters’ trust in centre-left parties received a blow in the economic crisis of the late 2000s, as these parties responded with cuts all but indistinguishable from those made by the right. At the same time parties of the right (especially in Germany, Britain and Scandinavia) borrowed popular bits of the Third Way – welfare-to-work programmes in Sweden, school reform and the minimum wage in Britain – for themselves. In short, it is likely that elements such as ‘active’ and ‘positive’ welfare, consumerism, obligations and a more pluralist welfare state are here to stay, and it is very doubtful that there will be a return to the traditional social democratic welfare state.

In a wider sense, Van Kersbergen and Hemerijck (2012) claim that without much exaggeration, it may be concluded that the idea of social investment has established itself as the foundation of a new policy paradigm and that its translation into new social policies has been relatively successful, with the surprisingly widespread and startlingly successful adoption of the social investment agenda in most if not all European welfare states. Very broadly, then, perhaps the ultimate triumph of the Third Way has been to redefine the centre ground of politics. It is a long time since we were ‘all third wayers now’ (Reich 1999), but it is also too soon to write an obituary for the Third Way (Ryner 2010).

References


