

The Malleable Politics of Activation Reform: the ‘Hartz’ Reforms in Comparative Perspective

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Abstract

In this paper we compare the Hartz reforms in Germany with three other major labor market activation reforms carried out by center-left governments. Two of the cases, Britain and Germany, involved radically neoliberal “mandatory” activation policies, whereas in the Netherlands and Ireland radical activation change took a very different “enabling” form. Two of the cases, Ireland and Germany, were path deviant, Britain and the Netherlands were path dependent. We explain why Germany underwent “mandatory” and path deviant activation by focusing on two features of the policy discourse. First, the coordinative (or elite level) discourse was “ensilaged” sealing policy formation off from dissenting actors and, until belatedly unwrapped for enactment, from the wider communicative (legitimizing) discourse. This is what the British and German cases had in common and the result was reform that viewed long term unemployment as personal failure rather than market failure. Second, although the German policy-making system lacked the “authoritative” features that facilitated reform in the British case, and the Irish policy-making system lacked the “reflexive” mechanisms that facilitated reform in the Dutch case, in both Germany and Ireland the communicative discourses were reshaped by novel institutional vehicles (the Hartz Commission in the German case, FÁS in the Irish case) that served to fundamentally alter system-constitutive perceptions about policy. In the Irish and German cases “government by commission” created a realignment of advocacy coalitions with one coalition acquiring a new, ideologically-dominant and path deviating narrative. The findings suggest that major reform of labor market and welfare state policy may be much more malleable than previously thought.

I Introduction

The literatures on welfare state and labor market reform in advanced capitalist democracies tend to stress the stickiness of existing systems, the difficulty of accomplishing significant retrenchment and the tendency to reform freezing and immobilism. Where change occurs it is argued that it is likely to be both incremental and path dependent. A batch of non-incremental “activation” reforms targeting long term unemployment in recent years have struck most observers as puzzling, if not miraculous, suggests that social and labor market reform in Europe may be much more malleable than previously thought. In this paper we examine four cases of non-incremental activation reform carried out by centre-left governments. Two of these were broadly path dependent (the Netherlands and Britain), two path deviant (Ireland and Germany). It is shown that although the Irish political economy strongly resembles the British in most regards (a liberal welfare state tradition, a liberal market economy, a strongly centralized state), the discourse on labor market and social policy was structured after 1987, and in particular 1992-7, so as to mimic the “reflexive” pattern typical of Scandinavian and Dutch cases, yielding an “enabling” form of activation that has been remarkably robust, even when the Irish political economy reverted to type after 2000¹. It is then shown that although the German political economy strongly resembles the Dutch (a Bismarckian welfare state tradition, a coordinated market economy, with deep corporatism), the policy reform discourse was structured after 1999, and especially 2002-5 so as to mimic the “ensilaged” pattern

in Britain, yielding a “mandatory” form of activation, that has been institutionalized even as the German political economy has reverted to type since 2005.

Two major arguments are made in this paper. First, the policy reform discourse may be structured in such a way as to override the “normal” pattern of policy-making. Where there is an open process of reflexive “deliberative governance”, with a pragmatic attempt at shared understanding and policy *formation* and *legitimation* essentially coterminous, the construction of an advocacy coalition to bring the reform effort to success precludes a centre-left government (and perhaps others) enacting a “mandatory activation” policy. A problem solving logic applies and a broad range of actors engage in a joint search for solutions. This applied in the Irish and Dutch cases. In Germany and Britain a government-privileged advocacy coalition succeeded in inducing a much more stringent policy outcome than might otherwise have been predicted. Here the coordinating discourse was initially “ensilaged”. As this sealed discourse moved sequentially toward a wider communicative policy discourse, and legitimation, what mattered were authoritative mechanisms to by-pass vetoes and win passive assent. Second, path deviant reform in Germany and Ireland occurred because novel institutional vehicles (the Hartz Commission and FÁS) broke the existing moulds for policy change.

II Research Design, Forms of Analysis and Organization of the Paper

The analytic framework used in this paper is laid out in part III. First, a typology for understanding activation policy which draws on “competition state” theory, is set out. A crucial paradigmatic difference between “mandatory activation” and “enabling activation” is identified concerning whether the primary onus is on the individual benefit recipient to behaviorally demonstrate a desire to work or on public authorities to provide the support that will allow a person to work. The “mandatory” paradigm holds that the long term unemployed are engaged in anti-social behavior, their unemployment is voluntary and sanctions need to be used to correct this. “Enabling” activation focuses only on making the inactive employable, not on curbing anti-social behavior.

Different theoretical approaches to explaining policy change are discussed in part III.2. Approaches identifying economic determinism and institutional determinism are outlined, then approaches focusing on party competition, policy learning, and discourse. We settle on the advocacy coalition framework, which captures the best of these other explanatory approaches. Within this framework we use discourse analysis (of both coordinative and communicative discourse) as the principal method, indicating why discourse analysis might be the most appropriate way of applying the advocacy coalition framework.

The four cases reflect different outcomes regarding (a) the type of activation accomplished and (b) path dependency (see Fig. 1). The puzzle which triggered this paper was why a red-green government in a Bismarckian coordinated market economy implemented a mandatory activation (“neoliberalism in one

class” for the unemployed) whilst in neoliberal Ireland a competition state overtly repudiated mandatory benefit conditionality in favor of an “enabling” regime..

Fig. 1. Activation Reform and Path Dependency: case selection.

	Path Dependent	Path Deviant
Enabling Activation Reform	Netherlands	Ireland
Mandatory Activation Reform	Britain	Germany

In the empirical sections of the paper we first analyze the Dutch and British cases. Not only have these cases been influential examples within Europe, the extensive literatures on each have also been theoretically influential regarding deliberative governance and the export of the US model to a European setting respectively. Examination of the Dutch case, characterized as “Enabling Activation”, relies on the secondary literature, particularly Hemerijck and associates². Examination of the British case, characterized as “Mandatory Activation” relies on Boyle (2006) and Boyle and Roy (2006). The crucial reform window in *Modell Niederlande* is identified as 1992-97, that for Britain’s *New Deal* as 1997-2000. In each of these cases policy change was radical enough to warrant being called “miraculous” by some, but they still clearly followed national path dependent trajectories³.

Although the Ireland is usually held up as the poster child for radical neo-liberalism, analysis building on Boyle (2005⁴) demonstrates that at the Celtic Tiger’s core lay an activation reform process that combined state-led developmentalism, positive political clientelism⁵, and a social democratic policy ethos. The crucial activation reform was the Community Employment initiative in the 1992-95 window. The Irish used active labor market programs to create an isolated but enduring “enabling-centered” activation strategy characterized as “Activation without Conditionality”.

Finally, although Germany has been identified as the classical “reform blocked” political economy, the Hartz reforms constitute the largest activation reform in Europe yet accomplished, and one that was path deviant. Primary discourse analysis of 45 documents presented here, using discourse theory from Foucault (Foucault 1981), the social constructivist research program of Keller (Keller 2008) and the framework of Grounded Theory (Strauss 1998) demonstrates that the way in which the Hartz coordinative and communicative discourses were structured allowed a radical “mandatory-centered” policy to be developed and implemented: an outcome characterized as “Neo-liberalism In One Class.”

The existing literature on Hartz raises two questions: why such a big reform occurred; and why was it so radically neo-liberal. We outline answers to both questions by addressing the specifics of **how** it succeeded. By “ensilaging” the formative, coordinative discourse and then using government-by-commission⁶ to advance this discourse to and through the wider communicative/legitimation discourse, the

Schröder government mimicked both the authoritative policy-making process extant in Britain and effected a radically neo-liberal outcome: a mandatory activation regime.

III Analytic Framework: Activation, Advocacy Coalitions and Discourse Analysis

III.1. Activation: mandatory- and enabling-centered reform.

Activation policy is paradigmatically distinct from both neo-Keynesian and free market world views. For neo-Keynesians⁷ achieving full employment through aggregate demand (fiscal policy and wage regulation) and a high level of redistributive social policy – the “Keynesian Welfare State” (KWS) synthesis – is the core belief. The initial program of the first Mitterrand government was perhaps the last time this was attempted in a large economy. For social democratic neo-Keynesians in small, open economies “Active Labor Market Policy” (ALMP) was long an important secondary mechanism focused on retraining labor from declining sectors for jobs in growing sectors⁸. But it was not the role of the “KWS” to reshape people’s labor market participation: the KWS facilitated growth and then put the fiscal dividend to redistributive purposes, creating social rights in the process. The distinction between “active” labor market policy and “activating” labor market policy is important here. At the other end of the spectrum free market ideas repudiated KWS principles. In the ordo-liberal variant the state was important in forming a proper legal order for the economy, but it was not supposed to direct economic processes. In the “social market economy” formulation the “social” is strictly passive. “Active” policies were viewed at best as mere palliative.

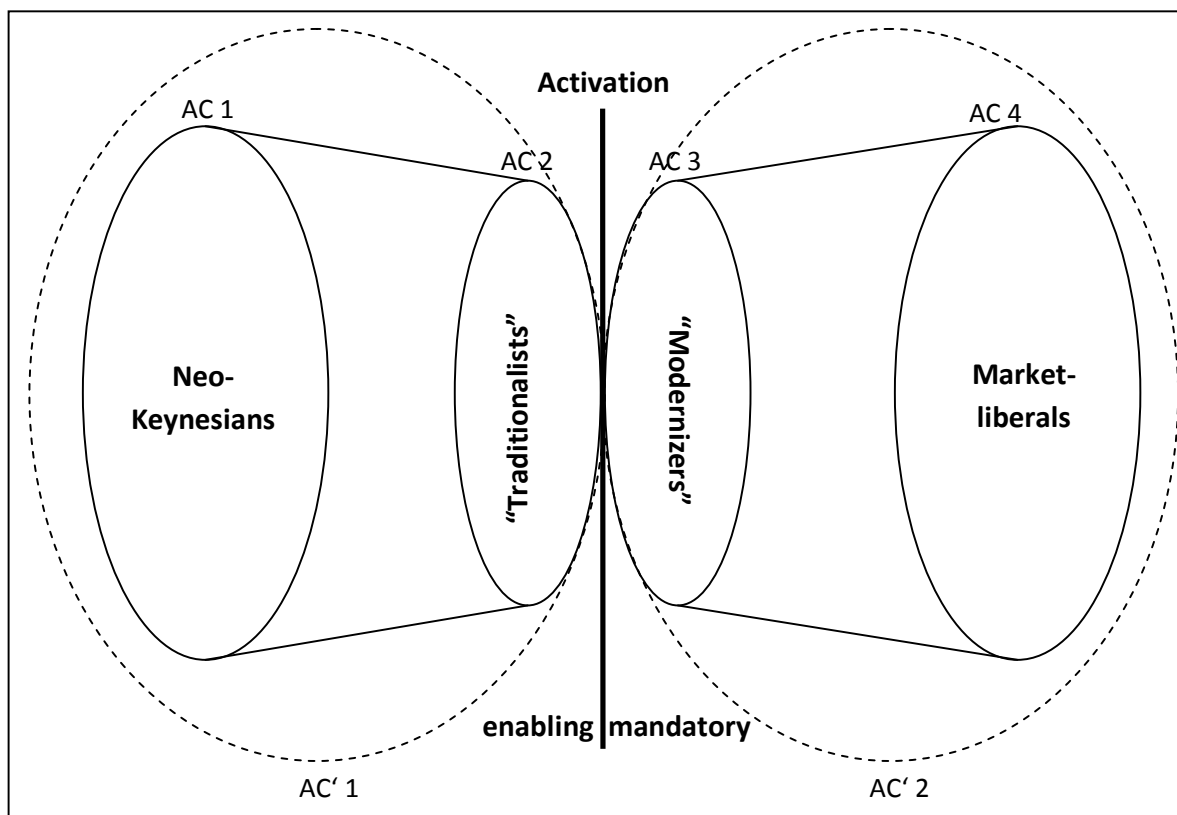
As Cerny (1995, 2000, 2005) has argued the forces variously known as economic “neo-liberalism” and “globalization” have led not to a decline of state intervention but rather to an increase in intervention and regulation: to actively promote competitiveness and marketization (Cerny, 2000:122). This involves microeconomic intervention rather than macroeconomic intervention, responsiveness to international markets, and a focus on enterprise, innovation and profits rather than social cohesion: the “welfare state” metamorphosing into the “competition state”⁹. “The competition state” is a macro-level descriptor for the model that has largely displaced the KWS. At the sub-system level of social and labor market policy “activation” is the operational term for “competition state” policy. Activation has four key characteristics:

- Embraces strict limits on what states can do¹⁰,
- Privileges labor market participation as over other social activity: universal participation by working age people in waged work is the goal.¹¹
- Focuses on using social policy to reshape labor market participation in order to promote growth.
- Views social policy as mutual responsibility between individuals and government, as opposed to “rights based”; the fundamental duty of the individual is to do waged work.

All activation policy is in the broadest sense “neo-liberal”. But activation (and the competition state) covers a wide spectrum. Recent scholarship has done much to outline and classify the variety of activation dimensions and instruments. Typologies have been devised by Lodemal and Trickey (2000),

Barbier (2004) and van Berkel and Hornemann Moller (2002), which tend towards updated versions of Esping-Andersen's (1990) "three worlds" typology. Other scholars classify instruments, usually in binaries: Fleckenstein (2008) positive/negative¹² ; Eichhorst and Konle-Seidle¹³ (2008) demanding/enabling; Torfing (1999)¹⁴ carrot/stick, and Chancellor Schröder famously Fordern/Fördern. We use "enabling"/"mandatory", building mainly on Eichhorst and Konle-Seidle (2008). But more important than labeling the instruments is identifying the key *paradigmatic* distinction which lies at the heart of different activation packages.

Figure 2. Activation Policy Paradigms and Advocacy Coalitions



The crucial difference within the activation world view arises concerning whether the primary onus is on the individual recipient to behaviorally demonstrate a desire to work or on public authorities to provide the support that will allow a person to work. Mutuality matters in both cases, but the onus differs. "Mandatory" labor market participation stems from a discourse that focuses on the individual responsibility of the inactive and the need to police anti-social behavior. "Enabling" labor market participation stems from a discourse that focuses on the state's need to coax and support the inactive. The assumption made by the "mandatory" paradigm that the long term unemployed are engaged in anti-social

behavior, their unemployment is voluntary and sanctions need to be used to correct this¹⁵. “Enabling” activation doesn’t question the willingness to work, it focuses on making the inactive employable.

All activation packages have both mandatory and enabling features. At a minimum, all benefit programs for the working aged are defended against fraud and thus entail “benefit conditionality”. Even the most coercive “work first” activation (work-welfare in the US) provides certain additional services and benefits to “clients”. Not only are the boundaries between the mandatory and enabling versions of activation fluid, there is fluidity between activation paradigms and both neo-Keynesian and free market paradigms. Each of the four paradigms has a distinctive core belief, but advocacy coalitions can combine actors with differing first-order ideas where there is overlap with second-order ideas¹⁶ (fig. 2).

III.2. Explaining Activation Outcomes

Having thus characterized our dependent variable “activation”, what factors are held to have shaped such outcomes? Convergence and divergence arguments have figured prominently in the literature. Much of the first wave literature on neo-liberalism and globalization suggested an inexorable international policy convergence, eroded national autonomy, with governments reduced to a vestigial, dignified role. Policy options were viewed as being narrowed to a single, neo-liberal path resituating the state “into a subordinate relationship with global economic forces” (Falk, 1996:15). Economic determinists argued welfare state expansion and contraction was principally related to economic factors (Castles, 1999), or that economic crisis was the cause of change (Huber and Stephens, 1999). Other political-economists maintained that globalization, far from mandating one-size-fits-all neo-liberalism, left social democratic alternatives viable (Garrett, 1998). Comparativists also established that there were distinctive types of advanced capitalist economies (Esping Andersen, 1990; King, 1995), and there was particular interest in the question of whether the “Anglo-American” world of welfare capitalism enjoyed a comparative institutional advantage over other “worlds” (Hall and Soskice 2002).

However, among scholars undertaking empirical work on welfare state reform a predominant consensus gradually emerged that welfare states showed great resilience to change of any sort. In fact, many welfare states appeared reform-blocked. Institutional-determinist arguments such as Pierson (1994 and 2001) and Boyle (2005b) argued that welfare state retrenchment generated enormous electoral risks for government, and even highly motivated governments with strong capacity had to pursue cautious strategies to avoid blame. Others argued that institutional veto players rather than popular legitimation problems hindered reform (Bonoli, 2001, Pierson, 1998). Scholars working on the “Bismarckian” cases were especially prone to see “reformstau” via veto players (Streeck and Kitschelt, 2003), especially the “joint decision trap” (Scharpf, 1976) in Germany. Rational choice institutionalism developed arguments about how arenas of broad policy consensus effectively give rise to multiple veto-players and a freeze on policy innovation (Tsebelis, 2002) or alternatively how the absence of a majority party and a clearly

dominant interest group may facilitate policy innovation (Crepaz, 2001). The extent to which policy sub-systems are loosely or tightly “coupled” is particularly important in this regard (Terry, 2003; Peters, 2001). Hemerijck and Schludi distinguish between loosely and tightly coupled ideal types (2000). Loosely coupled welfare states are characterized by a relative lack of coordination between networks and adjustment can take place at the sub-system level. Tightly coupled welfare states are identified by ‘decision-making institutions that enable policy makers to coordinate policy interdependencies’ leading to ‘coordinated change and issue linkage across different policy areas (136-7). The capacity for policy innovation, and for consolidating innovation, was also argued to be shaped by the pattern of portfolio allocation within coalitions (Laver and Shepsle, 1996) and the pattern of fiscal governance (Hallerberg, 2004). Boyle characterizes policy making institutions in Ireland as loosely coupled in that ‘there is often considerable capacity for autonomous intervention, but little capacity for joined-up government and coordination of policy across sub-systems’ with the ‘partial exception’ of the ‘centralized financial authority exercised by the Department of Finance’ (2005: 20).

Although “divergence” or “freezing” hypotheses are predominant in the field of welfare state reform, one important convergence argument that has recently revived concerns the EU, particularly through the Lisbon agenda. In the era of the “semi-sovereign welfare state” (Hemerijck, 2006; Leibfried/Pierson 1997), the role of international actors cannot be ignored. Hartz is the first major reform examined here to be enacted after Lisbon. Eichhorst and Hemerijck’s (2008) analysis suggests that the EU’s 1997 European Employment Strategy can be seen as an international manifestation of the “enabling” paradigm, with the 1994 OECD Jobs Strategy as the equivalent for the “mandatory” paradigm. In the same time period what were to become the New Member States of the EU in 2004 were under heavy influence from the World Bank and the IMF, whose policy advice comprised an *ordo-liberal* alternative beyond the activation paradigm. The argument has been made that these international factors may be leading to a “contingent convergence” (Eichhorst and Konle-Seidl, 2008)

Institutionalists have been accused by some of underestimating the role of political parties. Pederson (2001) argues that the difference between a left-right, two-block party system and a left-center-right “pivot” party system is crucial. The role that center-left parties play in reform episodes is especially interesting: the “Nixon to China” thesis suggesting that as center-left parties “own” the welfare state issue (Ross 2000), only they can reform it. Kitschelt (2001) and Camerra-Rowe (2004) have focused on the circumstances in which the leadership of a left-wing party will pursue a policy opposed by large parts of the party and the support-base. They argue that strategic electoral calculations can lead a party leader to ignore internal opposition and pursue new electoral constituencies. Where the reform process is more “declarative” (or Machiavellian) the construction of an advocacy coalition to carry forward the reform is subject to the logic of heresthetics (Riker, 1986) and strategic calculation replaces open-ended search. Reforms are “parachuted” into place and opponents were manipulated into assent or marginalized.

Strategic manipulation, the heresthetics of policy change, involves the manipulation of the framing of issues by political leaders in order to deconstruct alternative coalitions and construct a new winning coalition, is particularly important here.

This last point illustrates that much of the most important “politics” of welfare state or activation reform is intra-party rather than inter-party. This highlights a larger problem with institutionalist arguments: they tend to focus on the interest-based position of institutional actors rather than the more fluid pattern of alliances that often tend to cross-cut these institutions. Fluidity is a central theme in analysis of welfare state reform that focuses on policy learning, the role of policy expertise and “puzzling”. At the same time that globalization gives rise to an intensification of certain sorts of intervention it also increases the level of uncertainty about the course of action that needs to be followed (Hemerijck and Schludi 2000): competitiveness in an uncertain international environment requires states and other policy actors to engage in more “puzzling” and less “powering”¹⁷. Hemerijck looks at the reconfiguration/recalibration of policy profiles, viewing this as a “system-wide search for a new, economically viable, politically feasible, and socially acceptable profile of social and economic regulation” (2001:127). There is a sequential logic of [effective] policy adjustment, understood as a dynamic political process of problem-induced policy learning. Learning is important, as is the role of boundary-spanning institutions which structure the policy discourse by shaping the perceptions of actors with regard to what is desirable and feasible. The role of “expert” advice is important in this regard. Eichorst and Winterman (2006) analyze the array of institutions that provide policy “intelligence” of various sorts: academic, government, private, social partner, and other institutes generate data, recommendations and political analysis. How these institutes are structured is crucial: are some privileged? Do they forge a consensus or are they adversarial? Eichorst and Winterman argue that in some settings expert discourse at both elite and public levels are more pragmatic and “sincere”, in others they are more strategic or Machiavellian: states vary in the extent to which the “structure of policy advice ...can generate conceptual convergence, pragmatic compromise and legitimation of reforms” (2006: 278).

Different schools of thought reference “discourse” and many scholars engage in “intuitive discourse analysis”, but more formal discourse analysis has been less common in this field. Schmidt (2002) used discourse analysis to examine welfare state reform, distinguishing between the “coordinative discourse” through which elite-level actors talk to one another, and *may* arrive at a consensus about a policy program, and a “communicative discourse” through which these actors then engage the public through cognitive and normative arguments (2002: 171-2). In “single actor” systems, with an authoritative executive center, coordinative discourses are “thin” and directed at the executive, but communicative discourses are more important as there is a greater task in generating legitimacy for an “ensilaged”¹⁸ reform proposal. The wider discourse can be highly adversarial. In multi-actor systems coordinative discourse is more important, and protracted, but once a consensus is established the broader range of elites serve as agents to

secure the legitimation of their respective constituencies, including where sacrifice from the constituency is required (Schmidt, 2002, 172-3). The “formation” and “legitimation” discourses are coterminous. Analysis of social pacts and “deliberative governance” (O’Donnell, 2008; Molina and Rhodes 2002, Pochet and Fajertag, 2000; Hanke and Rhodes, 2005) in explaining the survival of corporatism in the absence of the structural conditions for corporatism, focus on the elite-level discourses that pacting and “partnership states” promote, for our purposes what is most important about such pacts is that they promote coterminous rather than sequential coordinating and communicative discourses.

In sum, from the institutionalists we take that “normal” politics is likely to be incremental and path dependent, and the need to focus on the role of veto actors. From the literature on parties we take the need to focus on center-left episodes and intra party politics (parties, indeed all institutional actors, are non-unitary). From policy learning analysis we take the importance of ideas and the need to focus on how policy advice is structured. From discourse approaches we take the need to consider whether discourse is reflexive (the coordinative discourse coterminous with the communicative discourse) or authoritative/strategic (with an ensilaged coordinative discourse initially detached from the communicative, legitimating discourse).

The particular approach followed in this paper draws on the advocacy coalition framework developed by Sabatier and collaborators (Sabatier 1993; Sabatier and Jenkins-Smith, 1988, 1999). The advocacy coalition approach captures the best features of the different literatures outlined above. The advocacy coalition framework views policy sub-systems as central in bringing about policy change and is particularly useful for analysis at the sub-system level. A policy sub-system encompasses a large and diverse set of actors that attempt to translate their beliefs about a particular political issue or set of issues into governmental policies and programmes.¹⁹ According to Sabatier, most sub-systems contain only a few politically significant advocacy groupings, usually ranging from two to four coalitions. The advocacy coalition approach examines „the effects of policy-oriented learning on the broader process of policy change by analyzing the manner in which elites from different advocacy coalitions gradually alter their belief systems over time, partially as a result of formal policy analyses and trial and error learning.” (Sabatier 1988: 130). Within the subsystem, it is assumed that actors can be aggregated into a number of advocacy coalitions composed of people from various organizations who share a set of normative and causal beliefs and who often act in concert.” (Sabatier 1988: 133). Further, “In most subsystems the number of politically-significant advocacy coalitions will be quite small. In quiescent subsystems there may only be a single coalition.” (Sabatier 1988: 140)

The advocacy coalition framework sees the policy process and policy change as involving competing coalitions of policy actors within sub-systems mediated by policy brokers. Within these sub-systems, actors’ preferences and stances are not dictated by organizational affiliation: any one organization may well be split between rival coalitions. Coalitions form around different policy core ideas and paradigms.

Conflicts over policy change generate ‘paradigm politics’. A notable aspect of the advocacy coalition framework is that it was developed, and has been most heavily used, to analyze environmental policy in the US and internationally. A feature of such policy is the role of expertise, particularly scientific discourse in shaping policy. This paper will address the role of research-based policymaking in the area of activation policy.

Sabatier has proposed for empirical analysis: “content analyses of government documents (e.g. legislative and administrative hearings) and interest group publications probably offer the best prospects for systematic empirical work on changes in belief systems” (SABATIER 1988: 147). That is what we do for the Hartz case in this paper below by applying analysis following Foucault’s discourse theory as well as theoretical continuation and methodological practices inspired by the sociology of knowledge and laid out recently by Keller (Keller 2008). Following Keller’s research program we also use a methodological framework for qualitative social research, the framework of Grounded Theory (Strauss 1998). The compatibility of this with the advocacy coalition framework is clear: “Thus the framework explicitly rejects the view that actors are primarily motivated by their short-term self-interest and thus that ‘coalitions of convenience’ of highly varying composition will dominate policy-making over time....This framework uses belief systems, rather than ‘interests’, as its focus because beliefs are more inclusive and more verifiable.” (SABATIER 1988: 141-2). By adding social constructivist thinking to the institutional setting of advocacy coalitions we also can avoid some theoretical vagueness about the nature of a central factor within Sabatier’s approach: common beliefs.

One difference to note between the advocacy coalition approach and constructivist thinking concerns policy learning: should policy-learning mean the incremental achievement by trial and error (Sabatier 1988: 130) of *better* knowledge or should it rather be seen as a process of social construction, making knowledge itself a process-related set of beliefs, causal assumptions and any sort of taken-for-granted principles? Since we tend to this latter understanding we complement the advocacy coalition framework by using discourse analysis based on social constructivist theory²⁰. By analyzing a wide corpus of governmental documents as well as publications of other social actors engaged in and important for the policy subsystem we want to examine social construction or “social learning” (Fleckenstein 2008: 181) processes as well as the processes of discourse manipulation.

IV Comparative analysis: Modell Niederlande, New Deal, and Community Employment

IV.1. Modell Niederlande: the Dutch Miracle and Enabling Activation

In terms of varieties of capitalism (Hall and Soskice, 2001) the Netherlands has long been a fairly robust example of the coordinated market economy (Touwen, 2004), with a long and deep history of corporatism. Coordination has been partly accomplished through a tight, national-level bi-partite corporatism that draws on an interconnected set of think-tanks and research institutes linked directly to

(i) social partnership (Labour Foundation – STAR), (ii) the government (Netherlands Bureau for Economic Analysis – CPB), and (iii) independent experts and academics (Netherlands Scientific Council for Government Policy – WRR). This system constitutes a “regulative” intelligence with considerable capacity for reflexive policy-making (Visser and Hemerijck, 1997, Eichhorst and Wintermann 2006).

The Dutch welfare state is usually classified within the Esping-Andersen (1990) typology as Bismarckian (insurance-based, status-differentiated, focused on core workforce of male breadwinners), but the early post-war prominence of the Dutch version of the Beveridge model (the 1945 Van Rhijn Report) gave the Dutch welfare state a universal, social democratic dimension distinct from the contemporaneous German social market economy model (Van Oorschot, 2006). It was greatly expanded on social democratic lines in the 1960’s, but in the 1970’s it followed the Bismarckian pattern of addressing high unemployment by shrinking the labor supply.

The national, highly proportional Dutch electoral system has always produced coalitional government, but rather than the 2-bloc pattern notable in other such systems (Scandinavia) Holland has had a pivotal party system, in which one of three parties – christian democratic, social democratic and liberal – is pivotal to coalition formation, and governments always involve any 2 of these three parties (Green-Pederson 200: 963). The other important feature of the Dutch party system is the pattern of insulated, elite-level bargaining, a legacy of Holland’s history of pillared consociationalism for managing once-deep social cleavages.

The “Dutch Miracle” (Visser and Hemerijck, 1997) grew out of a 1982 fiscal and economic crisis with the election of the christian democratic-liberal Lubbers government and the Wassenaar social partnership agreement in which the key actor was Wim Kok: head of the Dutch union federation FNV; from 1986 leader of the social democratic party PvdA; from 1989-94 Finance Minister in a Lubbers-led government; from 1994-99 prime minister of a social-christian coalition government; and from 1999-2002 Prime Minister of a social democratic-liberal government. The Wassenaar agreement was strongly influenced by reports and analysis by the STAR and CPD institutes (Visser and Hemerijck, 1997). Macroeconomic policy rested on the three legs of pegging the guilder to the deutschemark, wage restraint and austerity in public expenditure. Whilst there has undoubtedly been considerable welfare state retrenchment since 1982 both its extent and the “activating” nature of much of this retrenchment has been overestimated. Aggregate measures for retrenchment by budgetary impact for 1982-1998 shows that the comparatively exceptional retrenchment has been in the area of pensions, early-retirement benefits and , most spectacularly, disability pensions rather than in the core area of unemployment benefits (Green-Pedersen, 2001, Van Oorschot, 2006). Even in these highly-retrenched areas spending has only been brought down to EU levels. Unemployment insurance (WW), means-tested social assistance (ABW) and active labor market policy have a different pattern in aggregate spending. Unemployment insurance spending has varied cyclically but has not been markedly reduced, and both social assistance and active labor market

policy have risen, in the case of the later rapidly so, from a comparatively low starting point to much higher than the EU-15 average. Given that unemployment has fallen from over 10% in the early 1980's to under 4% by 2000, the per-capita spending on these programs has risen very strongly. As is well known aggregate spending is a poor guide to both retrenchment (Pierson 1994) and activation (Van Oorschott, 2006). A detailed review of "activating" policy reform shows that although there were significant reforms of unemployment insurance (WW) in 1985 and 1987 (reducing the wage replacement rate, limiting the duration of benefits and the number of workers eligible for it) and again in 2003 and 2004 (increasing the activating role of the administering municipalities and tipping more unemployment insurance beneficiaries into the social assistance category), the key window for activation measures was 1990-96 (Van Oorshot, 2006).

The 1989 Lubbers-Kok government's biggest initial policy focused on anomalously large disability benefits (a 1989 speech by Lubbers being the trigger). But for the activation strategy a 1990 WRR report "A working perspective" is credited by Hemerijck (2003) with triggering the paradigm shift in favor of employment growth and labor market integration rather than reducing labor supply as the earlier "lump of labor" paradigm suggested. This agenda was unfolded during the Lubbers-Kok and Kok-Lubbers governments between 1991 and 1996. CPB analysis in 1993-4 was particularly important in generating a cross-party agreement, the "Zalm norm" on restraining public expenditure, including the need to reduce benefit spending. This party-political consensus was significant because the social partners were in a somewhat compromised position. Historically the employers and unions had been deeply involved in the administration of unemployment insurance (and other social insurance, and employment services). This system was transformed by the 1994-2002 Lubbers-led governments, to remove the veto power of the social partners. This institutional reform has been described as "corporatist disengagement" (van der Veen and Trommel (1999). It points to the primacy of the party consensus in the area of benefits rather than social partnership consensus (Schmidt, 2002). Parties were also relatively immune from public opposition. Protests were stronger in the area of pension and disability policy rather than unemployment benefits and social assistance, but it is certainly clear that the parties were not responding to electoral pressures, there is little evidence for an appetite for retrenchment, rather parties were acting on CPB and WRR analysis.

The agenda regarding benefits unfolded in three parts: the 1995 reform of unemployment insurance (WW) that reduced eligibility, tipping more people into social assistance (AWB) which was in turn restricted in 1996: benefit rates were simplified, individual plans for reinsertion into the labor market were instituted for those on benefit and, most significantly, the standard for what constituted "suitable work" for an unemployed person was modestly broadened (van der Veen and Trommel (1999). This was a fairly stringent reform in the Dutch context, but very modest in comparison with the contemporaneous work-welfare reform undertaken by the Clinton administration.

Although the social partners were marginalized regarding the unemployment insurance, in the wider context a close coordination of policy initiatives with the social partners was maintained (there were intensified rounds of wage restraint in 1992 and 1993 in particular). In the area of active labor market policy this was especially important. CPB analysis was instrumental in creating the 1993 “A New Course” agreement between the social partners that advocated turning “active labor market policy” into “activating” policy (Hemerijck 2003). A battery of active labor market policy programs targeted on different categories of beneficiaries (youth, long-term unemployed, ethnic minorities, older women returning to the labor market, partially disabled workers) was enhanced in 1992-6. This targeted approach became increasingly attractive as the overall level of unemployment fell sharply 1993-7, leaving a harder-core benefit population, as well as creating incentives for employers to address looming labor shortages. Whilst all of these measures constituted “coaxing” the unemployed into the labor market, they stopped short of compulsion. Although the activation paradigm was now embraced by both the unions and the PvdA, *coercing* the unemployed was beyond the Pale. Not only was a mandatory policy on unemployment insurance and social assistance repudiated, these programs were supplemented by a raft of other policies that were explicitly “enabling”. Policies to increase the attractiveness of part time work were introduced in 1992 and 1993 to enable women and elderly workers to participate. Part time workers acquired equal rights to pension and other benefits in 1994 and the work-care balance was addressed in 1995 to promote the ability of people with caring responsibilities to participate in the labor market, further augmented by a 1999 law (Hemerijck et al, 2000).

The pattern noticeable in this rolling agenda is a graduated effort to increase activation with modest coaxing policies accompanied by fairly generous enabling ones. Creating this finely balanced policy regime revolved around a coordinated, elite-level discourse among social partners, political parties and the designated policy expertise. Whereas Green-Pederson focuses on the christian democrats as the pivotal party in welfare state retrenchment, for the *activation* window the key actors, parties, social partners and governments were anchored by the PvdA. The enabling discourse at elite level was broad-based, but in terms of the communicative discourse it was the social democrats who took the lead in articulating “enabling” ideas that served to legitimize the activation agenda, whilst distinguishing it from the mandatory variant. The PvdA was especially successful in cultivating the idea that the enabling activation agenda was in a very Dutch tradition of liberal tolerance regarding work and postindustrial values, “a multiple choice model of employment” (Hemerijck, 2000, 271).

IV.2 New Labour, New Deal and Mandatory Activation

The “New Deal” episode in 1997 in Britain is examined here to identify the source of policy ideas, the ideational contestation that took place and the forging of a “winning” policy consensus. New Deal in 1997 represented a repackaging of neo-liberal activation, stressing the needs of individual clients over

employer needs, but radically accelerating the mandatory trajectory. The triumph of an interventionist neo-liberalism in 1981 and a welfare-to-work neo-liberalism in 1997-8 resulted from the construction of advocacy coalitions that neutralized opposition without compromising core neo-liberal beliefs. Ideas about national competitiveness among certain Thatcherite actors in 1981-3 and New Labour actors in 1995-8 were crucial, in both instances these were party factions which had “hijacked” the larger party.

The British political economy is often viewed as the archetypal Liberal Market Economy (Hall and Soskice(2001 and 2009) with a liberal welfare state (Esping-Andersen, 1990), and an industrial relations system that yielded only very weak forms of corporatism. The unitary nature of executive authority in the British administrative system, together with the Westminster model of relatively unconstrained democratic majorities offers clearer opportunities for radical policy change than is true elsewhere in Europe. The Thatcher governments are widely viewed as having used these features of the political system to accentuate the liberal characteristics of the political economy and welfare state, acting on a Hayekian worldview. However, the Thatcher project was more hybrid and incremental than is usually assumed. This is true of the highly incremental approach taken to reform of benefits in general such as the 1986 Social Security Act, but it is particularly true for active labor market policy that was to become central for activation (Boyle, 2006).

Despite coming to power in 1979 disliking what little there was of Active Labor Market Policy (ALMP) the Thatcher government had its “triangulation moment” in 1981²¹ and developed a set of ALMP programs which involved a quintupling of expenditures and which, by the late 1980’s, had over one million people a year occupied on Manpower Services Commission (MSC) schemes. The 1981 Youth Training Scheme was the principal response to the labor market crisis in the first Thatcher administration²². ALMP 1979-87 involved a prolonged struggle between the Manpower Services Commission’s “developmentalist” or “Rhenish”²³ paradigm (the German model being the universally admired one in the 1970’s) and that of the Thatcherites²⁴. It was only in the run-up to the third Conservative election victory in 1987 that the Thatcherites made the shift towards a mandatory activation strategy. Following up on its manifesto commitment²⁵ the government introduced the “Employment Training” (ET) program, the central element of an incipient workfare system²⁶. Importantly, the main “ideas merchant” influential in the development and ancillary reforms was Kay Stratton, an American advisor parachuted into the Department of Employment by Secretary Fowler. A former Massachusetts Secretary of Economic Affairs for Employment and Training, Stratton was brought in to promote school compacts, local training councils and a workfare system (Fowler, 1991: 291; Boyle 2006).

The cautious (and never completed) moves towards mandatory activation by the Thatcher governments broke the uneasy advocacy coalition of Thatcherites and the Rhenish MSC. The Labour Party and the unions moved to a stance of open repudiation of government policy. Labour had adhered to the “Rhenish” model in government and opposition from 1976-87²⁷. After both the 1987 and 1992

election defeats the Party embarked on policy reviews during which incrementally modified this view. The 1992 Labour party manifesto, *Meet the Challenge, Make the Change* made it clear that citizens “had to take responsibility for their own lives and fulfill their obligations to others”. After the 1992 defeat the Party appointed the Commission on Social Justice to rethink social and labor market policy. Employment flexibility was established as a core policy value and a new welfare ethic based on a redefinition individual rights and responsibilities was identified. So the Labour party had already moved towards the “mutual obligations” idea central to the activation paradigms, but on the “enabling” end.

The emergence of the Blair/Brown leadership of the Labour Party in 1994 precipitated an ideological refoundation of the party as “New Labour”²⁸. Rooted in the notion of individual rights being inextricably linked to individual responsibility, the “modernizers” believed that labor market policy should be designed in accordance with these core beliefs. New Labour sought to establish tight eligibility criteria with time limits on traditional welfare benefit in an effort to dramatically reduce “welfare dependency”. This core policy belief was cultivated with think-tanks²⁹ such as the Demos Institute, founded in 1993, and allied scholars such as Anthony Giddens. The influence of Demos and its neo-liberal ideas is evidenced by the appointment of Geoff Mulgan (co-founder of the Demos) to head Number 10’s Social Exclusion Unit in 1997.³⁰ The US model loomed large for Tony Blair, Gordon Brown and the New Labour modernizers. Shared neo-liberal ideas regarding the need to reform labor markets in order to make them more internationally competitive was rooted in the similar electoral struggles of the Labour and Democratic Parties in the face of the Anglo-American new right. Clinton championed substituting a policy of “workfare” in place of traditional welfare dependency.³¹ New Labour had strong intellectual ties with key figures in the Clinton Administration³². Gordon Brown frequently met senior officials in the Clinton administration³³ to discuss fundamental aspects of economic policy strategy, often placing the issue of welfare and employment at the top of the list (Boyle and Roy, 2006).

The New Deal initiative was part of a broader strategy aimed at fostering a partnership between individuals and government through a labor market paradigm based on the principle of helping individuals move from welfare-to-work.³⁴ This “individualized” or “client-based” (rather than provider-based) idea was a significant departure from the earlier model: the language of “conditionality” replaced that of “coercion”, but the underlying goal was much the same. As “government in waiting” shadow Chancellor Gordon Brown sought to aggressively promote this agenda by proposing the raising of more money for youth training by planning austere limits on welfare benefits for the long-term unemployed.³⁵ Brown set out the main elements of New Deal in a 1995 speech. The policy document, entitled “New Deal for a Lost Generation”, was presented on May 16, 1996³⁶. The Labour government elected in 1997 was able to craft a policy once in power that maintained “deep core” normative belief about the necessity of youth to adapt to the labor market (and not vice versa) whilst forging a coalition out of “New Labor” modernizers and the training policy network of “Training and Enterprise Councils” (TEC’s) that had been bequeathed them by

the Thatcher and Major governments. Retaining the main institutional architecture created by the Thatcher governments also avoided the sort of corporatist labor market institutions, central to the Rhenish model, that were seen by the New Labour government as too rigid and interventionist to deal with dynamically changing labor market conditions. Their corporatist genealogy was embedded in the traditional welfare state apparatus that was viewed too expensive and unsupportable given new fiscal imperatives³⁷ (Boyle and Roy, 2006).

In contrast to the German case, the British Labour Party came to power with a fully formulated plan: it was not engaged in “building the ship at sea”. The “coordinating discourse” had occurred in opposition within an insulated group of New Labour politicians and theoreticians. Whereas Brown was the key actor in the coordinating discourse, Blair was the key actor in the communicative one, which involved doing an “end-run” around internal party procedures and which then kicked into high gear in the run-up to the 1997 election. According to a textual analysis of 53 of Tony Blair’s speeches (Fairclough, 2000) “New Deal” (70 instances) was second only to “New Labour” (72 instances) as his most frequently used phrase. Within the first 100 days of Labour being elected Chancellor Brown secured £3.1 billion to address youth unemployment, a fast-tracked discourse within government departments having been accomplished.³⁸ In 1998 Employment Minister Andrew Smith issued a classically Blairite speech that formally launched New Deal into action. Ministers directly involved with New Deal were determined that scheme should not be run by the education system.³⁹ New Deal was meant to be fundamentally different because it is based on local partnerships between employers, local authorities, training providers, Training and Enterprise Councils (TECs), Local Enterprise Companies, and Jobcentres.

Thatcher’s 1981 initiative and New Labour’s 1997 New Deal demonstrate that in Britain the paradigm shift in labor market policy was based upon a qualitative shift from a core belief that governments can and (in cases of structural unemployment) should intervene in the labor market to a core belief that market mechanisms should determine the structure of labor markets and that at the bottom end of the labor market people had to be jolted into participation by denying them access to benefits. Each initiative relied upon governments that were able to build sufficient support among potential ideational allies in the policy subsystem for their agenda. The ideas emanating from the New Labour think tanks such as Demos, increasingly influenced by the experience of the Clinton administration with welfare reform, involved an acceptance of the “mandatory” activation approach: stressing the responsibility of the unemployed to render themselves employable, the primacy of private sector employment, and the proactive role of government in using the benefit system to “move people into work” coaxed where possible, but compelled where necessary.

IV.3 Activation Without Conditionality: social partnership and Community Employment in Ireland

In terms of the core features of its political economy Ireland was little more than a politically independent region of the British political economy from 1922 to 1987: a liberal market economy, a liberal welfare state, and an industrial relations system that could sustain only a very weak corporatism. Independence had led to a political system characterized on the one hand by a “British” administrative apparatus - unitary, a dominating Finance Ministry, limited autonomy and weak capacity - Lee (2008) and on the other, thanks to the electoral system, parties which were heavily clientelistic rather than programmatic. The party system was a 2-bloc (but not left-right) until the 1980’s, but then moved to a pivot system. By 1987 this political system had yielded little but low growth and emigration, the 1958 shift to an open economic strategy and heavy investment in education in the 1970’s notwithstanding. But Ireland didn’t do Thatcherism. EU membership opened up new fiscal and, more importantly, new ideological possibilities. Whilst Mrs. Thatcher was dismantling “Rhenish” practices in Britain, Ireland was assembling them, despite lacking the usual preconditions (Hardiman 1987). Recent DNA evidence revealed Helmut Schmidt as the grandfather of Irish system of social partnership⁴⁰.

It was out of social partnership that the ideas, the political direction (and funding) and the administrative capacities for Ireland’s major activation policy emerged. At elite-level there was a developmentalist ideology within government departments, para-state agencies and government social partnership and academic think tanks such as the NESF, the NESF and ESRI. Ideas about national competitiveness among the Irish political elite, formulated as “social partnership”, have shaped policy in a way that has excluded features of the Anglo-American model. Ireland has some markedly neo-liberal features. But the tiger’s “golden” neo-liberal fiscal stripes are arranged alongside the black stripes of “social partnership”⁴¹. Economic policy since 1987 has revolved around a comprehensive “social partnership” that includes centralized wage bargaining coordinated with government social policy, but it also involves a much broader political and economic consensus on economic strategy negotiated by the social partners and political elites. “Social partnership has strong cross party political support ... [it] has in effect been elevated to a shared political ideology, which infuses all aspects of public policy-making and with minimal dissent” (Walsh, Craig and McCafferty, 1998: 15-16). For some this is a novel model of “problem-solving”, negotiated economic and social governance (O’Donnell 2000a) especially in the National Development Plans, supported by all parties. The Irish labor market agency FÁS, which was to loom large in the Irish activation initiative, was created in 1987⁴² based on a 1985 NESF report that laid out the paradigm for a much enhanced comprehensive active labor market strategy. FÁS was explicitly imitative of European models rather than Anglo-American models for labor market policy⁴³ (Boyle 2005⁴⁴).

In terms of political direction both social partnership and the unemployment issue were matters of “high politics”. The government’s role in social partnership (stronger than in the Dutch or Scandinavian

cases) has from the start been directly administered by the Taoiseach's office⁴⁵. Funding for active labor market programming has remained strong because of support from the Department of Finance. The Delors windfalls⁴⁶ were important for FÁS training programming. However, employment programs without a large training component, such as the Community Employment program, were not supported by EU funds. These were to become the largest part of the FÁS budget and Exchequer funding represented 100% of the cost of these programs. FÁS was able to be very entrepreneurial and responsive to political directives⁴⁷. Net-cost calculus was important for Finance, which was particularly concerned to make savings from the social welfare budget.

In terms of administrative capacity the Irish training agency FÁS in 1987 was crucial. The creation of FÁS (An Foras Áiseanna Saothair) as an all-encompassing labor market agency represented the most concrete institutional instantiation of the Irish version of "social partnership". This agency, which operated under the social partners, had an "activationist" house philosophy. It was also a largely autonomous agency appended to the Department of Employment and completely detached from the Department of Social Welfare. Thus the Irish state had at its disposal an agency that was oriented to address unemployment through active labor market programming, and with a formidable delivery apparatus to do so: Irish spending on active labor market programs has been high since the late 1980's and affected a very large section of the population.⁴⁸ There was little interest in connecting this programming to social benefits (which have remained remarkably unreformed for the entire Celtic Tiger era) to the chagrin of the OECD, which has spent two decades bemoaning the lack of mandatory compulsion (OECD, 2009), and Irish think tanks drawing on OECD research (Boyle 2005).

The creation of the Community Employment program in 1994 represented a significant deepening of an "enabling" activation approach to combating unemployment and social exclusion. The 1992 general election occurred with the prospect of 20% unemployment (a crisis equivalent to Germany's in 2002). Taoiseach Albert Reynolds made policy to counter unemployment his chief priority ("get the feckin' numbers down"). In July 1992 a parliamentary report called for the rapid expansion of employment programs. Fianna Fail sustained heavy losses in the November 1992 elections but, after tortured coalitional negotiations, a new Fianna Fail – Labour Party coalition took power⁴⁹. This coalition drew up a "Program for Government" that, among other things, created a Community Employment Development Programme (CEDP) in the office of the Taoiseach. The coalition also created an additional social partnership body, the National Economic and Social Forum (NESF), to consider the unemployment problem and to include the "voluntary and community sector" as a third pillar alongside business and the unions. The CEDP and the NESF introduced new sources of policy ideas, but at this point FÁS was able to take the initiative and it was FÁS's policy development division that devised Community Employment. Labour Minister Quinn announced the program in January 1994, with a budget double that of existing employment program budgets designed to more than double the number of placements per year.

Substantial as this was, more radical proposals emerged from other sources. A June 1994 NESF report made the case for a large program outside FÁS. In September 1994 a Taskforce on Long Term Unemployment was announced, to report in early 1995⁵⁰. FÁS was confronted from the “left” by an alternative neo-Keynesian (or social democratic) coalition involving key actors in the offices of the prime minister and deputy prime minister, the voluntary sector, and parts of the political left. In December 1994 the Fianna Fail – Labour coalition fell (over an unrelated scandal) and was replaced by a “Rainbow Coalition” of Fine Gael, the Labour Party and the small Democratic Left. However, the change of government did not alter the development of CE. The challenge from the neo-Keynesians dissipated in 1995 in the face of widespread support for the FÁS’s CE initiative. CE involved a particularly striking mobilization of the community sector as sponsors of CE projects. CE also received strong support from elected politicians⁵¹. Politicians, including serving ministers, are highly responsive to constituents (the Irish STV electoral system punishes not just parties but individual politicians who lose touch with constituents⁵²). The partisan complexion of governments did not matter either. All politicians had FÁS schemes in their constituencies. It was also the case that any coalitional permutation would contain a party or party faction that was strongly pro-FÁS: this applied to the populist wing of the Fianna Fail party⁵³ (future Taoiseach Bertie Ahern being the best example, and one of several senior Fianna Fail figures who explicitly labeled themselves “socialists” (Boyle 2005a)) and to the Labour Party and the Democratic Left. Traditionally the alternative to a Fianna Fail government was a coalition of the more conservative Fine Gael and the Irish Labour Party. However, an especially strong electoral performance by Labour in the 1992 election meant that it served as the pivotal party 1992-97 and the anchor of governments introducing CE (Boyle 2005).

In addition to a challenge from a neo-Keynesian advocacy coalition FÁS and CE faced a challenge from a rival coalition to the “right” which drew its inspiration from “New Labour” in Britain and that was interested in making the connection between Ireland’s activational apparatus and benefit conditionality. This rival coalition had the sympathy of the two Employment Ministers who oversaw FÁS and active labor market policy from 1994-2004: Richard Bruton, Fine Gael Employment Minister in the 1994-7 Rainbow coalition, and Mary Harney, leader of the neo-liberal Progressive Democratic Party and Employment Minister in the Fianna Fail-PD government 1997-2004. This alternative coalition also drew heavily on support from think tanks such as the ESRI and the OECD. Reports by consultants criticizing the operation of CE were also deployed. The economically liberal Richard Bruton had become sympathetic to a growing chorus of opposition to FÁS programming from employers⁵⁴. The paradigmatic influence over a *Human Resource Development* White Paper written by Employment Minister Bruton was the “New Labour”⁵⁵ neo-liberalism of Blair and Brown. Officials were much influenced by Blairite⁵⁶ thinking and the rhetoric of responsibility regarding the unemployed, and were especially prone to borrowing code words for more vigorous enforcement of client obligations: “robustness” and

“conditionality” (code words for a connection between work and social welfare benefits); “targeting”; and “early interventions” were cited by Department officials as Blairite euphemisms for a harsher regime. *Human Resource Development*, originating within the Department of Employment, drew heavily on expert analysis of policy, together with an employer call for employer-centered and employer-led active labor market policy⁵⁷. It was as close to a “mandatory” activation proposal as was possible in the Irish setting, but even this was easily garroted by the FÁS-based coalition in 1997. Grass-roots opposition to the proposal was channeled through the clientelistic political system. The evidence that politicians cite is largely drawn from their constituency service caseload rather than an “expert” analysis: Irish politicians are persuaded by anecdote not regression analysis.⁵⁸ One disadvantage that this coalition had was for all their Blairite rhetoric they were easily labeled “Thatcherite”, the kiss of death in Irish political discourse. CE not only survived the “mandatory” challenge in 1996-7, it withstood both the end of high unemployment and the 1997-2004 tenure of the neo-liberal Mary Harney as Employment Minister, becoming a permanent fixture⁵⁹ in the armory of the Irish state for addressing “problem” categories such as the disabled, single parents, mentally ill and addicts⁶⁰. Having defeated the neo-Keynesians in 1993-5, the FÁS social partnership coalition routed the “Irish Blairites” 1995-2000.

This “victory” of the FÁS-based coalition has been definitive (Boyle, 2005; Martin and Gubb, 2001; McCashin, 2004). Ireland has retained its activation-without-conditionality policies, and the enabling-without-mandatory policy paradigm to this day. The administration of unemployment insurance and social assistance has remained almost entirely separate from activation⁶¹, and activation via FÁS remained voluntary, a light requirement for the long term unemployed to register with FÁS exists, but as the 2009 OECD report states: “Ireland is in the small group of countries where the sanction decision for refusal of work and for refusal of a place on an ALMP program are well below 0.1% per unemployed person per year” (OECD, 2009:134).

In Ireland the creation of FÁS and the expansion of active labor market policy in the 1987-1994 period established a new policy trajectory that combined enabling activation through active labor market programming but without benefit conditionality, a separation that has remained remarkably robust. The coordinative discourse within Irish social partnership, especially the most concrete instantiation of partnership, the Irish training agency FÁS, facilitated a radical and path deviant policy, that a communicative discourse driven by elected Irish politicians then sustained. The availability of an administrative instrument (FÁS) rooted in social partnership, focused on “activational” programming but administratively and paradigmatically separate from social welfare policy created the opportunity for a reflexive, consensual initiative.

V Neo-liberalism in one class: Germany and the Hartz reforms

V.1. The Bismarckian Path

In the Esping-Andersen typology of welfare regimes Germany is the conservative archetype with social systems designed according to a common model: insurance based, contribution funded (by employers and employed), self-administered. Unemployment insurance was not part of this first step of welfare development under Bismarck, but was added to the social system as a fourth pillar in 1927 (*Gesetz über Arbeitslosenvermittlung und Arbeitslosenversicherung, AVAVG*) but the traditional Bismarckian structure was left intact. A central service was established for administering the system, the *Reichsanstalt für Arbeit*. Labor market policy was basically passive. Unemployment insurance was now treated as a more or less regular status in working life and working people were secured against the related losses in income as well as social status. Every unemployed person had from 1927 on a legitimate claim of unemployment benefits, instead of former means-tested social assistance. Active labor market policy played a marginal role. The creation of unemployment insurance can thus be seen as a path dependent development of German welfare state (Schmidt/Ostheim 2007: 138).

The first substantial change in this regard was implemented by the *grand coalition* between christian democrats (CDU/CSU) and social democrats (SPD) after an economic crisis in 1966 (*Stabilitätsgesetz*, 1967). In 1969 the so-called Employment promotion law (*Arbeitsförderungsgesetz*) expanded for the first time instruments of preventive and active labor market policy, such as placement, public training and job creation schemes as well as employment subsidies for certain branches. This “add-on” was inspired, as were others across Europe, by the perceived success of such programs in Sweden (the Rehn-Meidner model). Although innovative means of active labor market policy were appended Germany did not depart the Bismarckian path. All social insurance branches were rebuilt after 1945 as contribution-funded and self-administered institutions (*Errichtungsgesetze*), now based on tripartite agreement between employers’ associations, trade unions and state government, the former *Reichsanstalt für Arbeit* was renamed into *Bundesanstalt für Arbeit*.

Under the Brandt coalition with the liberal FDP, 1969-1974, the German welfare state was expanded. The extension touched almost every part of the system and social expenditure costs reached almost 34% of public expenditure in 1975 (Pilz 2004: 38). In face of the first oil crisis the Schmidt SPD/FDP government embarked on a course correction and reacted with moderate but nonetheless unpopular cuts in social spending, including active labor market policy (*Haushaltsstrukturgesetz* 1975). Some observers even consider this policy change a critical break in German welfare state development because for the first time there was retrenchment (Hegelich/Meyer 2008: 131). The growing number of unemployed (7.5 % of the employable population in 1982) and the fiscal consequences of this destabilized the SPD-FDP coalition. In 1982 former economic minister Otto Graf Lambsdorff (FDP) presented a conceptual paper including propositions for overcoming weak growth and fighting unemployment. The Lambsdorff paper

was inspired by neoliberal, Thatcherite thinking and already contained many conceptions which resemble to core ideas of the Hartz reforms, e.g. reduction of regular duration for unemployment benefits to 12 months, the restriction of reasonability rules, the accentuation on personal responsibility etc. (Butterwegge et al. 2007: 137). Schmidt evaluated his minister's paper as a "paper of divorce" (Butterwegge 2007). Just a few weeks later he was deposed by a CDU/FDP-coalition under Helmut Kohl.

Despite initial austerity (*Haushaltsbegleitgesetze* 1983/84) the Kohl governments 1982-90 were cautious in well established "Keine Experimente!" CDU tradition⁶². Labor minister Norbert Blüm, the only cabinet minister to serve the entire length of Kohl's government, personified this rather cautious and path dependent trajectory concerning social reforms. After 1985 more money was spent, including improvements in active and passive labor market policy whilst on the other hand the labor market was made marginally more flexible. From 1982 to 1990 social spending was reduced from 30.7 to 27.6 percent, but the centre-right policy was essentially incremental and Lamsdorff's precocious mandatory activation ideas of 1982 were shelved. In effect, these reforms attempts could be classified as a "halfway turnaround" (Josef Schmid, Ostheim/Schmidt 2007: 171). Re-unification in 1990 stopped the consolidation efforts and in the following years social expenditure costs grew dramatically whilst unemployment reached new records (Trampusch 2005: 7). When adapting the former state-directed economy of the DDR to the Western German social market economy the government was confronted with structural unemployment of a dimension not known before. In order to promote employment particularly in Eastern Germany active labor market policy was radically extended. Since the financial burden for re-unification was largely carried by federal government as well as social insurances – a concession made to the Western German Länder (Pilz 2004: 43) – social expenditures soared. In 1997 a new employment promotion law (*Arbeitsförderungsgesetz*) which foresaw more stringent means in fighting unemployment was enacted. This reform can be seen as a first step towards an activating policy because more flexibility on the part of the unemployed was foreseen, as was restriction of the reasonability criteria. Despite these belated steps the common perception prevailed that not even under Kohl and his centre-right government was fundamental social policy reform possible. Many observers referred to this as "Reformstau" (Streeck/Kitschelt, 2003) or the "blocked Republic"⁶³. What were argued to be essentially needed social reforms had been either vetoed by corporatist opposition in socio-economic negotiation processes or by political opposition through a hostile majority in the upper house, the *Bundesrat* (the joint decision trap). At the same time in 1998 unemployment reached over 4 million people (12.3 % of the employable population), and in these circumstances led to Schröder's substantial victory in 1998.

Unemployment was the central issue of the 1998 election. Schröder promised a reduction of unemployment from over 4 to 3.5 million by 2002. Having been elected into power the red-green government initially followed a traditional social democratic policy in social and economic fields. The neo-Keynesian Lafontaine was finance minister and party leader until his unexpected resignation in 1999.

As regards labor market the first Schröder government implemented a re-regulation by withdrawing social reforms such as deregulation of dismissal protection realized under Kohl (Zohlnhöfer 2004: 286). At the end of 1998 Schröder also created the “Alliance for Jobs, Training and Competitiveness” as central strategic initiative for employment policy. The Alliance for Jobs (*Bündnis für Arbeit*) was a trade union idea and characterized by a rather traditional conception of labor market policy formation: following a tripartite logic consensus should be reached between government represented by the labor ministry, trade unions and employer associations. A Benchmarking Committee, organized and funded by the Bertelsmann Foundation, delivered expert advice for reform. So, before Hartz social and labor market policy was still pre-shaped by corporatist negotiations between employers and unions. It was up to the social and labor ministry to moderate these negotiations. In the parliamentary process the policy subsystem was confined to party politicians with social policy background and expertise (especially SPD and CDU politicians with close ties to unions and business). Laws merely implemented the consensual decisions of social partners which were represented within the parties by important factions and their speakers⁶⁴ (Trampusch 2005: 5).

Parallel to the creation of the Alliance for Jobs Schröder provoked protest within the SPD by publishing a common position paper with the British Prime Minister Tony Blair. The so-called Schröder-Blair paper (Schröder/Blair 1999) had been written by the British Minister for Trade and Industry Peter Mandelson and the Head of German Chancellery Bodo Hombach (both viewed as *éminences grises* figures by the left wing of their respective parties). It was influenced by Anthony Giddens’ conception of a Third Way which was transposed in the German concept of “Neue Mitte”. The paper was a manifesto for modernization of social democracy and contained ideas finally implemented in Germany with the Hartz reforms.

The major policy result of the Alliance for Jobs was the Job-AQTIV law (Activation, Qualification, Training, Investment, Placement) which came into force in January 2002. The reform already shared the focus on activation with the later Hartz reforms but since it was negotiated under strong influence by the unions it still concentrated on the *enabling* part of activation and so-called positive activation means (Zohlnhöfer 2004: 386, Fleckenstein 2008: 186-187): improved placing and training of jobseekers by job rotation and a better profiling process for the unemployed. The Labor Ministry under Walter Riester took from November 1998 to May 2001 to draft the law. After its implementation it was criticized by trade unions as well as employers (Schierholz 2002: 405). The business camp criticized the law arguing that it was far too ambiguous, especially as regards negative or coercive means of activation.

The results of the Alliance for Jobs were commonly evaluated as very limited. The Alliance was dissolved by Schröder in 2003 – just a short time before his proclamation of the Agenda 2010 – although it already had been paralyzed one year before (Trampusch 2005: 11). With the Alliance for Jobs the tripartite approach to employment policy was deemed a failure: “reformers on the centre-right of the SPD,

led by Wolfgang Clement, saw the Alliance as the expression of the SPD's traditional commitment to Rhineland or cooperative capitalism" (Dyson 2005: 230). Schröder needed an alternative.

V.2 The radicalism of Hartz Reforms

As the term "Hartz" is often used to describe a wide array of ideas and policies, we need to specify the radical policy change at the heart of the Hartz process that we are focusing on in this paper. The four Hartz laws were passed in 2002 (Hartz I + II) and in 2003 (Hartz III⁶⁵ + IV), see Fig. 3. The legislation had been prepared by an expert commission chaired by Peter Hartz, a former personnel manager at Volkswagen and confidant of Chancellor Schröder, in 2002. The structure of the Hartz reforms is summarized below, with the radical mandatory activation elements highlighted.

- The first and the second *law for modern services in labor market* (Hartz I + II) came into force in January 2003 and created new forms of labor and more flexibility, especially in the low income area (*mini-jobs* and *midi-jobs*) and for self-employed persons (*Ich-AG*). The integration of jobseekers into the labor market was to be improved by the creation of *Job Centres* as one-stop-shops with a more efficient service for their "clients". Other changes in ALMP were also implemented.

- **The most important element of this first legislation package, namely of Hartz I, from our perspective was the redefinition of reasonable jobs for unemployed which introduced compulsion as distinctive factor into the system. The former reasonability rules for reintegration into labor market have been given up as far as possible (s. § 121 SGB [Code of Social Law] III), much further than in the Dutch case. The long time unemployed have to accept almost every job without respect to their former living standard or their educational status. By refusing a job offer claimants risk cuts in benefits (s. § 144 SGB III). Furthermore it is up to the unemployed to deliver arguments why a job offer is not reasonable. Hence, the burden of proof shifted from government agencies to the unemployed (Dyson 2005: 236). The compulsory placing also obtains for the new instrument of additional work opportunities, the so-called *Ein-Euro-Jobs*, which can be offered by community/charitable institutions and mean an additional income for unemployed of about one Euro per hour like Irish Community Employment, but with benefit compulsion.**

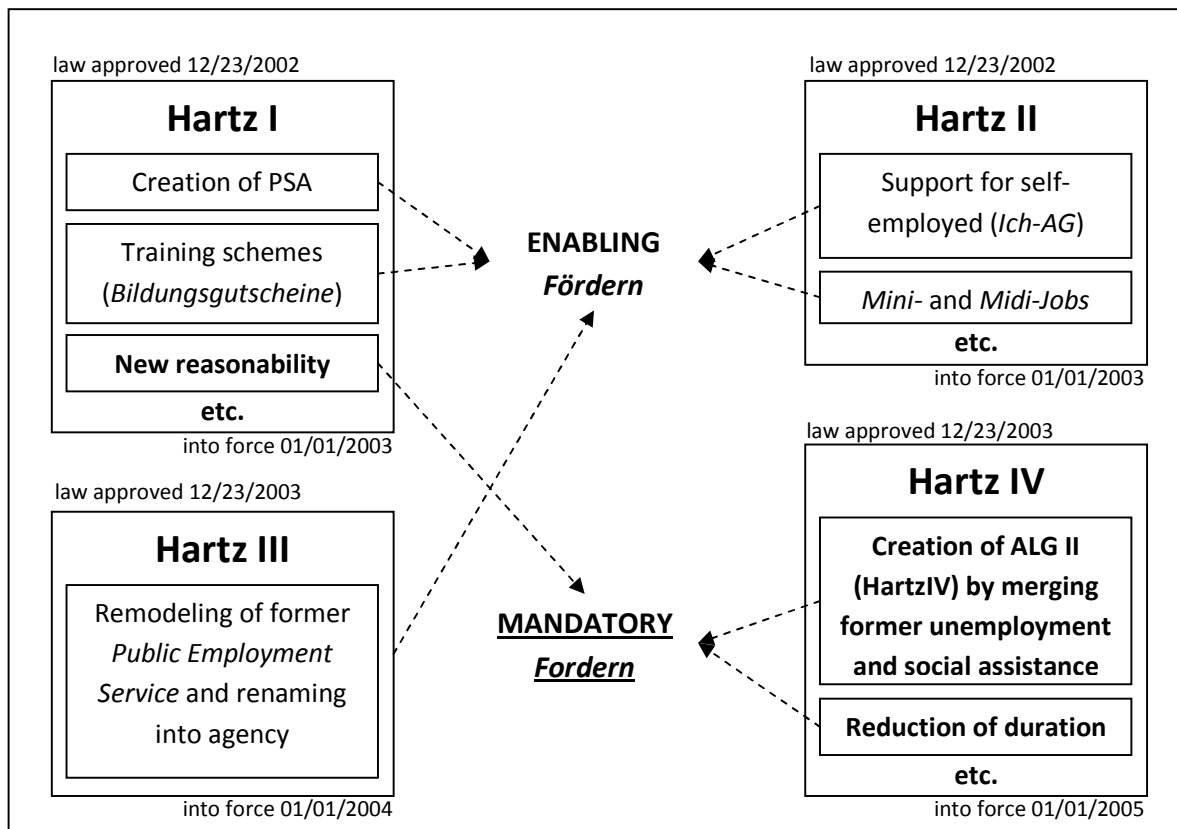
- Hartz III entered into force in January 2004 and effected a structural remodeling of the former *Bundesanstalt für Arbeit* (public employment service) into the new *Bundesagentur für Arbeit* (public employment agency).

- The most controversial element of Hartz reforms was Hartz IV which has in the popular discourse become something of an all-embracing code for the reform process as well as for the new unemployment benefit for recipients. **From January 2005 the former unemployment assistance and the former social assistance benefits were integrated into a new tax-funded and means-tested unemployment benefit II (*Arbeitslosengeld* or ALG II).** The regular maximum duration of the insurance based unemployment benefit, now called *Arbeitslosengeld* or ALG I, was reduced from up to 32 months before reform to 18 months for persons older than 55 and 12 months for regular unemployed (s. § 127 SGB III) now.⁶⁶ As Fleckenstein put it: "unemployment benefit II effectively became the benefit system for the long-term unemployed" (Fleckenstein 2008: 179). Since at the same time the regular benefits of ALG II were aligned to the level of former social assistance (345 Euros) the Hartz IV reform brought significant social cuts for many unemployed persons in Germany.⁶⁷ Even more: "Hartz IV, having merged social and unemployment assistance onto social assistance level, is the most substantial benefit cut since the existence of the Federal Republic" (Trampusch 2005: 3, modification by authors).

The special radicalism of Hartz reforms thus can be seen in the combination of Hartz IV (Dyson 2005: 237) and the restriction of reasonability rules by Hartz I. The whole reform package often has

been summarized by citing the melodic governmental phrase of *Fördern und Fordern* (Promoting and Demanding⁶⁸). We concentrate on “Fordern” part, since the elements of Hartz reform chosen by us: *Neue Zumutbarkeit* (new reasonability) and Hartz IV are instruments of coercing people into work by putting pressure onto them (s. fig. 3). The “Fördern” reforms are themselves either unremarkable administrative restructuring or they are changes specifically designed to hinge on the “Fordern” elements. This is a mandatory-centered reform, abandoning ideas of securing living standards for the unemployed and “welfare without work” which can be seen as “a critical moment in the departure from the conservative welfare model” (Fleckenstein 2008: 178-179).

Figure 3: Basic Structure of Hartz Reforms



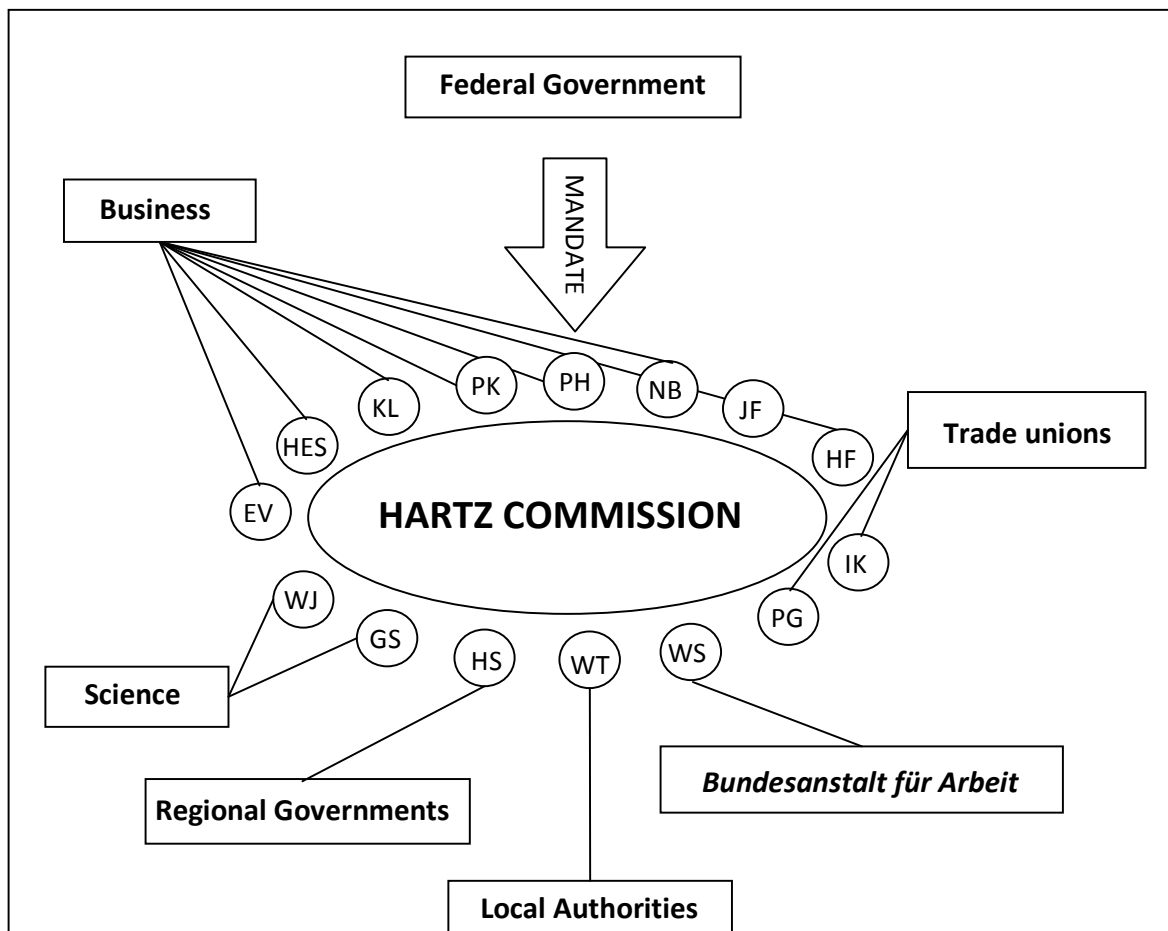
More than half a year after the presentation of the Hartz report and several months after his surprise reelection the former Chancellor Gerhard Schröder presented in a parliamentary speech his economic policy reform program for the following years, the *Agenda 2010* (Schröder 2003), in which major elements of Hartz reforms (so Hartz III + IV) were embedded. The related social cuts were actually intensified by reducing the maximum duration of Hartz IV. In addition labor markets were made more flexible by the deregulation of dismissal protection. Furthermore, the agenda foresaw major reforms in

fiscal and health care policies. Overall, the reforms entailed a radical departure from the Bismarckian social policy tradition, a clear path deviant case.

V.3 Deviation: Schröder and the ensilaged (wrapped) reform discourse

To be elected in 1998 Schröder had given the ambitious promise to reduce unemployment significantly, as he himself stated this was how his performance should be judged. But in 2002 4 million people were still unemployed. Facing upcoming general elections in September Schröder felt obliged to act. He and his party were confronted with an electoral dilemma: on the one hand the SPD had to demonstrate its reform capacity, especially as regards labor market policy. On the other hand substantial social reforms always constitute a serious risk concerning election strategy (Zohlnhöfer 2004: 395).

Figure 4: Composition of Hartz Commission



NB: Norbert Bensel, Executive Board *DaimlerChrysler Services AG* and *Deutsche Bahn*; JF: Jobst Fiedler, *Roland Berger Strategy Consultants*; HF: Heinz Fischer, Personal Manager *Deutsche Bank AG*; PG: Peter Gasse, *IG Metall NRW* (Trade Union); PH: Peter Hartz, Personal Manager *Volkswagen AG*; WJ: Werner Jann, *Potsdam University*; PK: Peter Kraljic, Director *McKinsey&Company Düsseldorf*; IK: Isolde Kunkel-Weber, *ver.di* (Trade Union); KL: Klaus Luft, CEO *Market Access for Technology Services*

GmbH; HS: Harald Schartau, *Minister for Labor and Social Affairs NRW*; WS: Wilhelm Schickler, President *Regional Employment Service Hesse*; HES: Hanns-Eberhard Schleyer, General Secretary *Central Association of German Handcraft*; GS: Günther Schmid, *Social Science Research Center Berlin*; WT: Wolfgang Tiefensee, *Mayor of Leipzig*; EV: Eggert Voscherau, Executive Board *BASF AG*.

Facing the collapse of the Alliance for Jobs, the Schröder government felt impelled to avoid the traditional procedural strategy of tripartite deliberation including a wide range of actors and potential veto players. Labor market policy became Schröder's top priority, *Chefsache*, and the government chose an innovative discursive strategy for publicly presented policy formation. The new coordinative and communicative discourses (Schmidt 2002) addressed the electoral timetable, but, more importantly for our purposes, it also provided a novel, accelerated way to devise and deliver radical reform. When in February 2002 the German Federal Audit Court discovered false statistics on job placements from the public employment service (*Bundesanstalt für Arbeit*)⁶⁹, the traditional institution was blamed. Its president Jagoda resigned and left his place for a social democratic modernizer, Florian Gerster. These special conditions at the beginning of 2002 opened a "window of opportunity" (Eichhorst/Wintermann 2006: 3) and allowed Schröder to follow a government-by-commission strategy (Dyson 2005) by establishing the *Commission on modern services in the labor market* chaired by Peter Hartz. Besides Hartz 14 other experts were appointed: 6 entrepreneurs and business consultants, one member representing handcraft, two unionists, two researchers, one regional and one local politician and one representative from a regional bureau of the public employment service (s. fig. 4).

After six months of Commission negotiations the final report was presented in August 2002. In June the first proposals were floated to the media and a public debate about labor market reform and the proposals expected from Hartz Commission began. The report of about 340 pages proposed 13 innovation modules for labor market reform. In addition to proposals concerning ALMP and enabling activation sharp mandatory means, e.g. by restricting reasonability rules, were contained as well as the integration of unemployment and social assistance into one. Cutting benefits for recipients and shortening the maximum duration of unemployment benefit had indeed been discussed during the negotiations; due to trade unions' opposition it was not formally included as a proposal and hence was not part of the final report. But the idea was "outed" and the second Schröder government implemented the controversial innovations as part of the Agenda 2010 in 2003, despite having been explicitly excluded by the election manifesto of the SPD for the general elections one year before (Trampusch 2005: 11-12, Pilz 2004: 154). The report promised – if implemented – to halve unemployment within the following three years.

As major social cutbacks had been kept out of the final report and the upcoming elections had a certain "disciplinary effect on opposition to Schröder within the SPD" (Fleckenstein 2008: 181) as well as trade unions, the shift to a mandatory paradigm of activation although criticized by unions was nevertheless generally accepted by them given the more welcome "enabling" proposals which were also contained in the proposals and the general discursive background for substantial labor market reform. At this point

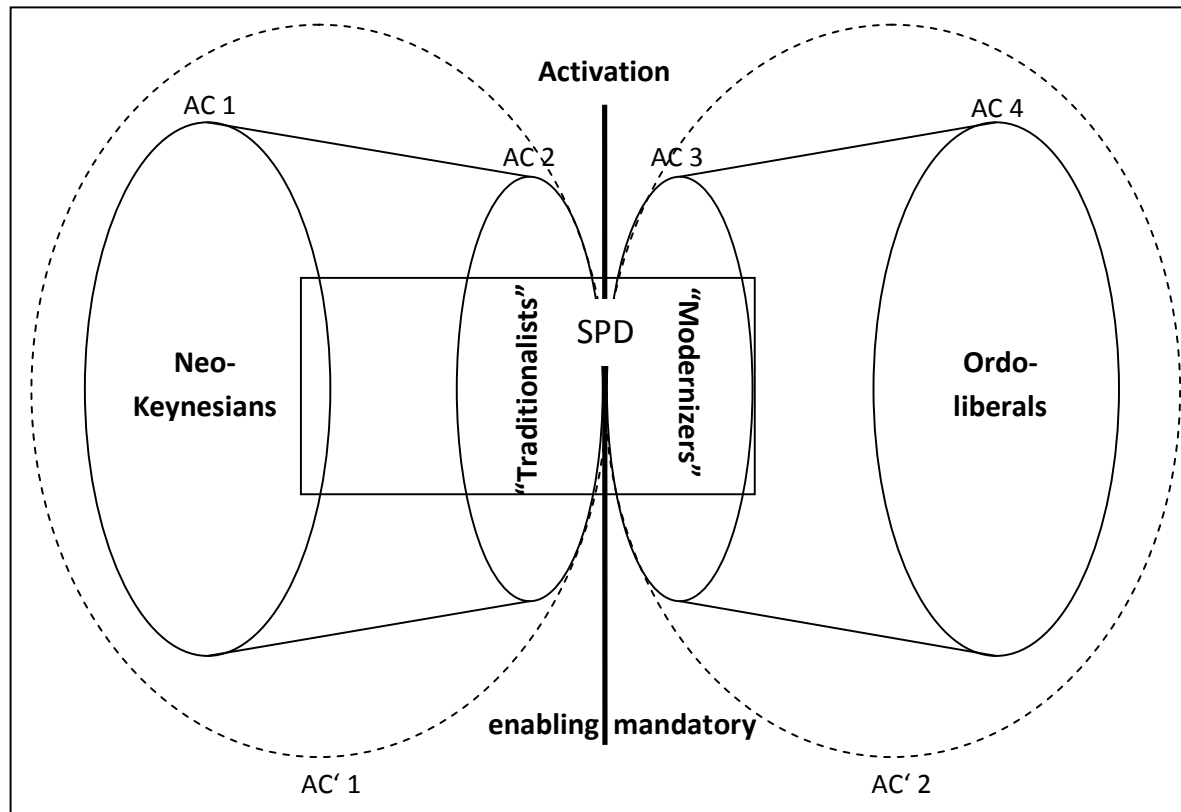
protests by union representatives were limited and many of them as well as union-affiliated researchers praised the outcome of Hartz Commission such as a leading figure of SPD's left wing Ottmar Schreiner (Schreiner 2002). Protest came from opposition parties but that protest relied much less on substantial divergences as regards content than on the electoral timetable that made the Hartz report's debut a big campaign event for the SPD (that CDU and FDP politicians refused to join). For the CDU/CSU and FDP the neo-liberal direction of Hartz report was right, if a little too unambitious (Rainer Brüderle, FDP, Fickinger 2002b, Wolfgang Gerhardt, FDP, Heuwagen 2002).

The final report's presentation was just a few weeks before general elections. After his widely unexpected victory⁷⁰ in the elections Schröder started to act on his promise of implementing Hartz proposals "1 to 1" (all or nothing). He established a new Federal Ministry of Economics and Labor, merging the formerly separated entities and appointed one of the leading figures of the economic modernizers within the SPD Wolfgang Clement as "super" minister, and although the red-green coalition's policies initially appeared unprepared, in December 2002 Schröder demanded a stop this "cacophony" within the coalition.

The second phase of the communicative discourse started when Schröder announced his Agenda 2010 in a "set piece" speech to the German Bundestag in March 2003. Having presented the factual scope of reforms – which included more radical welfare state retrenchments than Hartz Commission did for the labor market – the anticipated protest suddenly grew, especially from the "traditionalist" camp within the SPD and the unions. In the following months until enactment in autumn/winter there were brutal fights within the SPD, whereas SPD modernizers in government were able to build something like a grand coalition with the centre-right opposition (Trampusch 2005: 18). In effect, advocacy coalitions had been rebuilt from four to two (s. fig. 5) with SPD modernizers now aligned with ordo-liberals from the opposition. Just after the general election the SPD lost in several regional elections and the opposition parties had a majority in the Bundesrat. Hartz IV was further modified towards more neo-liberal ideas through the arbitration committee between Bundestag and Bundesrat. These consensus needs could be used to justify radical policy and to bypass resistance within the SPD. Although there had been some public demonstrations against the Hartz reforms and the Agenda 2010 already in autumn 2003, especially a central one on November, 1st in Berlin with over 100,000 participants, the real and repeated demonstrations against Schröder's reform package commonly labeled as *Hartz IV demonstrations* or *Monday demonstrations*⁷¹ did not reach their peak before August 2004, a long time after the Hartz laws were enacted and only a few months before Hartz IV was implemented. On August, 30th 2004 at least 200,000 people demonstrated against the social reforms in over 200 cities, with smaller and less regular demonstrations continuing until 2006. The anti-Hartz social movement was to trigger the establishment of a new party in German political system built by disappointed former SPD-members and unionists, the WASG (*Wahlalternative Arbeit und soziale Gerechtigkeit, Election alternative Labor and Social Justice*)

in 2004⁷². In 2007 WASG and the largely Eastern German left party PDS merged and created *Die Linke* (the left). Thus the path deviant Hartz reforms of the German welfare state resulted also in a re-shaping of the political landscape as well as parliamentary party-representation.

Figure 5: 4-to-2-logic of advocacy coalitions in the German case



V.4 Manipulating Discourse: the dyadic discourse strategy behind Hartz reforms

Our discourse analysis entails detailed examination of 45 documents (parliamentary speeches, party publications, interviews, etc.) by key social actors in a first phase from the placement scandal in February 2002 until the first two Hartz laws passed legislation in December and a second phase from Schröder's Agenda speech in March 2003 until legislation of Hartz III and IV in December 2003.

Instead of a traditional tripartite negotiation process the Schröder government chose by establishing the Hartz Commission an innovative discursive strategy mimicking the British mode of an *ensilaged* coordinative discourse followed by a didactic communicative discourse. Since in 2002 Schröder's agenda was shaped by a tough election timetable – in contrast to Blair/Brown Schröder did have to “build his ship at sea” – he had to accelerate the process by combining major parts of coordinative and communicative discourse. And since the German tradition of labor market policy formation was more reflexive and the didactic, top-down style less acceptable to the public than in Britain Schröder had to transpose the

innovative ideas already agreed on through a legitimating interface with the public via the Hartz Commission. Although we largely agree with Fleckenstein that the Hartz Commission “can be considered largely insignificant for the substance of the legislation” because policy formation based on social learning already had taken place in the expert forum on the future of employment organized by the Bertelsmann Foundation before Hartz (Fleckenstein 2008: 178) we argue that the Commission played a significant role at least in legitimation politics. Hartz and his team constituted this crucial interface between the coordinative (special) and communicative (public) discourse. A statement by a Commission member extracted from a newspaper interview published the day the Hartz report was presented supports this argument: “the Commission has become such an event that no government can easily ignore it” (Hagelüken/Viering 2002). Whereas among economic experts a wide consensus about countering unemployment had already been established before Hartz many of these new ideas were highly controversial within the public discourse as well the SPD, the Greens and the unions. With the Hartz Commission Schröder’s government chose a discursive rather than the traditional procedural strategy of policy formation. The strategy of discourse manipulation was dyadic: 1. excluding speakers or de-legitimizing speaker positions, 2. constructing knowledge or re-framing fundamental ideas. So, the Hartz Commission didn’t so much seek to “bind in” opposition from SPD traditionalists open to “enabling activation” but rather to cast it off. The next two subsections of the paper summarize the discourse analysis undertaken for the 2002 and 2003 phases mentioned above.

IV.4.1 Excluding speakers and de-legitimizing speaker positions

The first remarkable effect of Hartz Commission’s establishment is the significant reduction of speakers within the coordinative discourse. Normally Germany can be seen as the archetype of cooperative capitalism which means that a great amount of interest groups’ representatives are engaged in policy formation, particularly within the labor market policy subsystem. Besides trade unions and business associations as well as their relative party wings and political speakers the German socio-economic landscape has a wide range of advisory institutions. Eichhorst and Wintermann give a comprehensive list of four types of institutions engaged in delivering advice in economic and labor market issues (Eichhorst/Wintermann 2006): first, independent institutes for economic advice consisting of the six leading economist institutes in Germany: *German Institute for Economic Research (DIW)*, *Ifo Institute for Economic Research*, *Centre for European Economic Research (ZEW)*, *Rhenish-Westphalian Institute for Economic Research (RWI)*, *Kiel Institute for World Economics*, *Halle Institute for Economic Research (IWH)* as well as two institutes for Social Sciences: the *Max Planck Institute for the Study of Societies (MPIfG)* and *Social Science Research Center at Berlin (WZB)*, second research institutes with affiliations to other institutions like the *Institute for Employment Research (IAB)* which is subordinated to public employment service (BA), the *Cologne Institute for Business Research (IW)* with affiliations to employers

and the *Institute of Social and Economic Research* (WSI) with affiliations to unions. Third think tanks funded by foundations, such as *Institute for the Study of Labor* (IZA) funded by German Post Foundation and different expert groups organized and funded by the *Bertelsmann Foundation*, and last the government-appointed *German Council of Economic Advisors*. So besides political parties, trade unions, business associations, local and regional authorities a wide range of advisory institutions can have significant impact on labor market policy formation in Germany. In the ensilaged Pre-Hartz coordinative discourse the Bertelsmann Foundation was the crucial actor. Through the expert forum and the Benchmarking Committee for the Alliance for Jobs (Eichhorst 2001, Eichhorst 2004), both organized and funded by the Bertelsmann Foundation, the foundation had a significant influence in pre-shaping the policy outcomes (Fleckenstein 2008). It also provided assistance for the Hartz Commission.

The Hartz Commission itself consisted of only fifteen experts including a relative majority from business camp (managers and business consultants). The other relevant social actors (trade unions, public employment service, local authorities and science) were represented by selected persons mostly considered “modernizers” within their respective camps. Nothing resembling the former tripartite negotiations and resultant blockage was to be permitted. That was true for the ensilaged coordinative discourse as well as the communicative discourse just until the federal elections in September 2002. Although largely marginalized within the coordinative discourse – “Agenda setting was taken out of the hands of Riester, IG Metall and the DGB.” (Dyson 2005: 234) – before the elections unions could not totally be excluded from the game. So it was due to unions’ opposition that the final Hartz report did not contain the harsher social cutbacks that had been discussed earlier and the SPD election manifesto stated that unemployment benefits would not be cut. Whilst on the one hand the upcoming elections had a disciplinary effect on the unions, the same elections had on the other hand a moderating effect on Schröder government and the Hartz Report because in the campaign support from unions and the left wing of the SPD was needed. When it became apparent that the reduction of maximum duration of unemployment benefit would not be part of the final report employers’ associations as well as CDU and FDP opposition changed their initial positive reaction and criticized the Hartz Commission. This was seen in terms of the unions’ negative influence: “The bigger unions’ pressure gets the more their own courage seems to disappear” (Rogowski, BDI, Schumacher 2002, Frankfurter Allgemeine 2002, Petersdorff 2002).

After the election victory the situation changed dramatically. The strategy of excluding speakers changed into a strategy of de-legitimizing speaker positions. And the first and clearest victims were trade unions and their representatives. In the still prevailing atmosphere of “Reformstau” unions were considered the main blocking forces, even by the SPD modernizers. The clear signal was Schröder’s creation of a Ministry for Economy and Labor and the appointment of Wolfgang Clement into this new office. Former labor minister Walter Riester, a unionist, was deposed. Already after the placement scandal social democratic modernizer, Florian Gerster was installed as Director of the public employment

service. So, in 2003 when Schröder government had chosen a radical path of welfare state remodeling the unions and their supporters stood largely alone and were criticized from all sides as old-fashioned ‘traditionalists’: “Unions would be well advised to redefine themselves“ (Fickinger 2002b); “Of course, unions must move and must renew themselves” (Schröder 2003: 21). After the Hartz Report and Agenda speech everybody, particularly within the SPD, had to take care not to be considered part of the blocking forces. A strong camp within the party promoted itself as “modernizers” and hence drew a new cleavage between “modernizers” and “traditionalists”. Already the Schröder-Blair paper showed this logic by referring to “modern social democrats” which directly implies that there are “non modern” ones, who can either adapt or be excluded (Schröder/Blair 1999). In 2003 this was the fundamental choice of SPD-adherents: Either adapting to the new language and new concepts of SPD-modernizers overcoming “Reformstau”, together with some of those ordo-liberals with similar concepts, or being banished into the camp of anachronistic neo-Keynesians who still believe in state intervention and deficit spending.

As regards social actors, the discursive strategy of Schröder government in the context of Hartz reforms was a strategy of casting-off, not just of potential opposition but of rival belief systems. The result was the formation of two comprehensive advocacy coalitions with a fundamental cleavage that suddenly cross-cut the SPD, as Fig. 5 illustrates⁷³. The events would not have been possible without the discursive background partly inherited partly manipulated by Schröder government through the second element of its strategy: the re-framing of discourse. This realignment of the advocacy coalitions did not just concern the policy subsystem actors, it also involved reframing the ideas central to the discourse, as the next subsection of the paper illustrates.

V.4.2 Re-framing the “unwrapped” discourse

In this second section of discourse analysis we want to lay out the main ideas and common perceptions that shaped the discourse around the Hartz reforms and Agenda 2010. In the following we examine three discursive elements the manipulation of which had political as well as policy outcomes: firstly, the inherited common metaphor of “Reformstau”, secondly, the dominant perception of the “inactive unemployed” as engaging in “anti social behavior”, and lastly, the concept of personal responsibility.

Reformstau

The metaphor of Reformstau has been widely used for German politics (see Streeck and Kitschelt 2003, (Dyson 2005: 225). The perception of a German political and social system blocked by too many veto actors constitutes the background of almost any political initiative at least since the famous “Ruck-Rede”, the Berlin speech of former German President Roman Herzog who provoked great attention by his frequently cited demand of a common movement within Germany (Boeckh et al. 2006: 147). In this perception Germany is highly in need of fundamental reforms in order to modernize the welfare state and regain competitiveness in world markets. This need has already been seen for years but the special

cooperative German political system, with its joint decision traps, stands accused of not allowing fundamental reforms. Instead “time stands still” (Merkel 2003: 3). The “Reformstau” is aggravated by its long duration. The former leader of CDA Arentz stated himself: „Everybody knew about the reform needs of Bismarckian welfare system but a substantial remodeling failed to appear. Mostly just singular reform could be implemented” (Arentz 2003). So, “Reformstau” was not only a problem for the Schröder government, it was sometimes seen as the *modus operandi* of the 1982-1997 Kohl governments. The first Schröder government, until the creation of Hartz Commission, was not seen as the end of “Reformstau”. Some political opposition did not even consider the Agenda 2010 a way out of “Reformstau”: “The supposed breakup of reformstau by the red-green government is far from reality“ (Rüttgers 2003: 10, Zohlhöfer 2004).

The continuity of the blockage argument is quite important for reform proponents because it delivers strong reasons for further unpopular means. Many actors evaluate the Hartz report, the Hartz reforms and even the Agenda 2010 just as first steps into the right direction, both political opponents (Fickinger 2002b, Heuwagen 2002, Schumacher 2002, Borstel 2003), but also some coalition politicians shared this view: “The agenda 2010 is just a first step” (Christa Sager, Green Party, Schuller 2003). Nonetheless the phase around Hartz reforms and Agenda 2010 was widely considered a window of opportunity (Clement 2003: 19). Reforms had to be implemented as fast as possible: “Now we have to make fast progress” (Peter Hartz, Schumacher/Viering 2002).

The “Reformstau” metaphor combined with the perception a window of opportunity served to allow the Schröder government to by-pass constraints first by appointing an expert commission, then by announcing the Agenda 2010 in a rather declarative or didactic style of a strong executive power having to do the right thing without any reasonable alternative. “Binding hands” is the label that Dyson provides for this government style (Dyson 2005). We rather label it a “governing TINA” (There Is No Alternative). Governing TINA is promoted by a dominant advocacy coalition constructing “objective” evidence via benchmarking. Benchmarking processes played a significant role in the manipulation of discourses in the context of Hartz reforms for example the Benchmarking Committee of the Bertelsmann Foundation (Eichhorst 2001, Eichhorst 2004) or later in Hartz and Agenda debates (Berger 2002, Merkel 2003: 3, Stoiber 2003: 6).

Germany was identified as being near the “bottom” of the table, both by proponents of a special reform in order to justify its need and by advocates of even stronger reform in order to criticize the insufficiency of proposed reforms. Germany was mostly evaluated as the “Rote Laterne”, the tail-light: “tail-light of European Union” (Merz 2002); “at the bottom of the league concerning economic growth” (Berger 2002); “a desolate situation” (Koch 2003). Although in 2002/03 “Reformstau” as a common background perception was not at all new, its intentional, sometimes even manipulative reproduction was part of the discursive strategy of reform proponents from all camps, above all the Schröder government.

Unemployment as anti-social behavior

There are two major theories explaining unemployment: a neoclassical or neoliberal approach and a neo-Keynesian one (Boeckh et al. 2006: 202-203). Whilst the latter seeks the reasons for unemployment on the demand side, where business does not provide enough jobs so that state government has to invest (deficit spending), the neoclassical approach sees the reasons on the supply side. According to this theory labor is either too expensive or the unemployed lack the requisite skills. Via the development of a low wage sector and the enabling means of activation the Hartz reforms thus followed neoclassical thinking. But, in addition, the Hartz reforms also introduced *mandatory* means of activation which rely on a more negative image of the unemployed as voluntarily inactive persons not willing to work, receiving unemployment benefits and hence anti-social spongers. We have to analyze the related discursive elements to understand the fact that this image could largely prevail and reach wide consensus.

“The term ‘activating labor market policy’ already defines the unemployed as passive, because otherwise they could not be ‘activated’ by adequate means“ (Butterwegge et al. 2007). Butterwegge’s observation is not sophistry, because it points to a crucial paradigmatic shift in the perception of unemployed. That this new perception of the unemployed is quite negative can be observed in the preface to the Hartz report written by Peter Hartz: “The balance between performance and reward is a universal principle; work shall be profitable, not unemployment” (Hartz 2002: 5). The rejection of “profitable unemployment” implicitly contains the paradigm of the voluntarily unemployed abusing state benefits. The governmental phrase of “Fördern und Fordern” already introduced with the JobAQTIV law was intentionally enhanced to the overall slogan of Hartz report: “Eigenaktivität auslösen – Sicherheit einlösen” (releasing individual activity – redeeming security), which contained the activation claim. The Ministry for Economics and Labor’s Hartz-related publication presses ahead the attack against some unemployed: “Those persons having installed themselves on state support without really being needy will have to reorient themselves” (BMWA 2005: 12).

The paradigm of the anti-social unemployed was reproduced by a majority of politicians and other social actors all across the political spectrum. This consensus can be seen as the decisive explanatory factor in the enforceability of such strict mandatory means of activation. The paradigm of inactive unemployed was strong within the SPD, especially for Gerhard Schröder (Schröder 2003: 14), Wolfgang Clement (Clement 2003: 6) and Hartz Commission member Harald Schartau (Frigelj 2002). The strongest attacks against “lazy unemployed” (Oschmiansky 2003) traditionally came from CDU politicians, especially the ordo-liberal actors such as Roland Koch (Koch 2003) and Friedrich Merz (Merz 2002) as well as others (Germis/Meck 2003, Köhler 2002). The critique of the Bavarian Prime Minister Edmund Stoiber was very global: “Social assistance is a second chance but it cannot be lifestyle” (Stoiber 2003: 11). The employer confederation’s president Hundt implied the same when he criticized the widespread “early retirement mentality” in Germany (Fickinger 2002a).

The paradigm of the anti-social unemployed was nourished by research coming from economists and social scientists as well as from the director of the public employment service, Florian Gerster (Hagelüken 2002). The social scientist from WZB Berlin and Hartz Commission member, Günther Schmid, stated: “It is true that the danger of false incentives grows, the longer unemployment benefit is paid” (Hagelüken/Viering 2002).

But although empirical evidence was prominently cited there were dissenters to this consensual spirit within the center-left camp. The chairman of the Greens in the Bundestag, Katrin Göring-Eckardt, opposed the widespread condemnations of unemployed referring to the picture of the “social hammock” (Göring-Eckardt 2003: 5). Another critic within the center-left camp came from the SPD opposition in Hesse, Andrea Ypsilanti (Riebsamen 2003). More radical counterpoints came from the PDS: “We think: Not unemployed must be fought but unemployment” (PDS 2003) and other, rather excluded actors, such as trade union representatives (Viering 2003) and, of course, by the unemployed themselves: “Generally, this distrust of Hartz towards unemployed bothers us” (Schöneberg 2002). But despite these rather sporadic or isolated dissents discourse analysis has shown a predominant consensus about the paradigm of “anti social unemployment” prevailed. This common belief indeed permitted the radical mandatory means of activation contained in Hartz reforms.

Personal responsibility

The widespread perception of anti social unemployment and the resulting justification for mandatory activation already indicate the path deviant character of the reform debate. Unemployment had been seen since 1927 as a fundamental risk of work-life caused by market failure. Persons concerned should be secured against this risk by obligatory insurance, as similar systems had done for the fundamental risks of age, sickness or accident before. Neither the fact of unemployment nor the needed remedies were considered part of the personal responsibility of the unemployed. This system-constitutive perception changed dramatically with the Hartz and Agenda debates. The long-term unemployed were seen as (at least partly) responsible for their situation. Given that perception of personal responsibility, the remedy of mandatory activation could be justified.

Indeed, personal responsibility is the key concept underlying both Hartz reforms and Agenda 2010. It is not necessary to go as far as Butterwegge by labeling “Eigenverantwortung” (personal responsibility) as the “fighting word of neo-liberalism” (Butterwegge et al. 2007), in order to understand that personal responsibility is a key concept of liberal/residual welfare states and is contradictory to the former key concept of welfare in Germany: solidarity. The concept of personal responsibility has replaced solidarity at least for one social stratum, the long-term unemployed. That is the ideological essence of the resulting effect: neoliberalism in one class, as illustrated in the empirical analysis presented below about the public discourse.

The Schröder-Blair paper from 1999 raised an early social-democratic “charter of personal responsibility”: “Modern social democrats want to transform the safety net of entitlements into a springboard to personal responsibility” (Schröder/Blair 1999). The language of the paper indicates a fundamental orientation of “Third Way” or “Neue Mitte” towards liberal welfare state ideology. Later, in 2003, personal responsibility is also the key concept of Schröder’s Agenda speech. Within this speech Butterwegge counted 18 appearances of the word (Butterwegge et al. 2007: 169). We want to give just one example: “We will cut state benefits, we will promote personal responsibility and will have to demand more individual performance by each person” (Schröder 2003). The “paradigmatic shift, which privatizes risk assumption instead of charging the state with the consequences” (Berger 2002) is not just observed by the German doyen of business consultancy, Roland Berger, but posed as a political demand. Since the global claim for personal responsibility was shared by almost all the political opposition (Merkel 2003: 13, Rüttgers 2003: 13, Germis/Meck 2003) it was highly consensual as common belief or conception for policy change. In order to make it less controversial the concept of personal responsibility has been combined or reconciled with other key concepts of welfare state, as well as with the Catholic social thought tradition. So, sometimes subsidiarity was chosen as more consensual word for personal responsibility (Rüttgers 2003: 9) or personal responsibility was even brought together with solidarity: “Solidarity is always a two way street” (Merz 2002). This discursive argument won the support of the Catholic bishops who published a paper called “Solidarity needs personal responsibility” (Bischofskonferenz 2003, Arentz 2003). Furthermore the “Help for self help”-idea (Hartz 2002: 97, Koch 2003: 33) in its context of international developmental politics, was transferred to the debate.

The path deviant alteration of the German welfare system by Hartz and Agenda 2010 reforms is already announced in the discursive characterization of personal responsibility. The role of the welfare state should obviously be redefined into a more residual one, as with liberal market economies. State benefits should concentrate on fundamental need whereas all the other security demands should be covered by individuals themselves: “It is thus necessary to concentrate on the fundamental social benefits, whereas additional benefits are subject to individual care” (Berger 2002). CDU opposition leader Angela Merkel stated: “We have to trust the people and make state’s retreat possible” (Merkel 2003: 12) a paradigmatically dominant view that was clearly shared by FDP leader Guido Westerwelle as well as SPD minister for economy and labor Wolfgang Clement (Westerwelle 2003: 1, Jacobi/Schäfer 2003).

V.4.3 A common narrative for a new advocacy coalition

The special radicalism of the Hartz reforms and the question how such radical reforms could be implemented in a coordinated social market economy such as Germany's cannot be answered without referring to the results of this discourse analysis. The first part of the discursive strategy analyzed, the exclusion of speakers or de-legitimization of speaker positions resulted in a realignment of advocacy coalitions, the finally winning coalition containing social democratic modernizers as well as center-right ordo-liberals. The second part of the discourse strategy involved the construction of new system-constitutive perceptions, a new narrative for labor market and welfare state reform in Germany. This common story line revolved around the three concepts of Reformstau, anti social unemployment, and personal responsibility (or privatizing the risk assumption) and can be summarized as follows:

Germany had long suffered from a politico-economic blockage for reforms, a "Reformstau", caused by too many actors engaged in decision-making and policy formation processes. Trade unions were seen as structural conservative actors avoiding an adequate reaction to the factual constraints emerging from globalization as well as Europeanization. Since Germany – situated at the very bottom of the league – needed to quickly adapt to the exigencies of market competition the welfare state has to be reformed as fast as possible. As regards the labor market the neo-classical assumption is right and the reasons for unemployment can be found on the supply side. Labor in Germany is too expensive and the unemployed often do not have the skills demanded by industry. Since many unemployed are inactive or not active enough, they have to be activated through enabling means but also and above all through strict mandatory activation. The state has to reduce benefits and overall intervention, it has to rethink itself in terms of its core responsibility of delivering just residual assistance for those who cannot help themselves. Many of the other social tasks the state has been charged with have to be seen as the personal responsibility of those affected. These should be the guidelines for the modernization of the welfare state that must be implemented first for labor market, then also for health care and pension systems.

When we look at the German welfare state today we see that although there have been less remarkable reforms in the other sectors too, the most radical reforms according to the narrative have been implemented at the bottom end of the labor market (but not further than that – the major features of the coordinated market economy and its Bismarckian supports are largely intact for those not in this section of the labor market (Hall and Soskice, 2009). The necessary *ensilaged* coordinative and *didactic* communicative discourses were only possible in that sector because the persons concerned are largely excluded from policy formation and, unlike the Irish case, elected politicians did not fear a backlash. So, in the end, the result of Hartz and Agenda reforms can be described as neo-liberalism in one class.

The Hartz reforms compared to the other cases selected can be seen as radical path deviant labor market policy change. As we have pointed out the special radicalism of Hartz legislation lay in its mandatory means of activation. In order to implement such a policy the Schröder government had to choose new types of policy formation and legitimation. Instead of following traditional procedural and discursive processes it applied an innovative dyadic discursive strategy. The advocacy coalition framework combined with discourse analysis explained this new governmental style which excluded speakers (government-by-commission), de-legitimized speaker positions (e.g. union representatives and

SPD “traditionalists), and constructed knowledge or re-framed fundamental ideas (“Reformstau”, “anti-social unemployed” and “personal responsibility”). So from both perspectives included within the theoretical framework, the actor- or coalition centered perspective (s. as “result” fig. 5 showing advocacy coalitions for the German case) and the more ideational one (s. as quasi-summary the common narrative or storyline in part V.4.3), discourse analysis could elucidate the special discursive ground on which the Hartz reforms were possible.

VI. Conclusion

This paper has developed new analytic vocabulary and analytic instruments. Applying this vocabulary and these instruments to all cases in the 4-field matrix (s.fig. 1) there are two examples of path dependent (Britain and the Netherlands) and two examples of path deviant reforms (Germany and Ireland). As regards political outcome there are different pairs for enabling activation reform (the Netherlands and Ireland) and mandatory activation reform (Britain and Germany) respectively. In contrast to the widespread convergence assumptions for European welfare states our comparative study shows that policy outcomes are quite different, and indeed, discourse matters for labor market reforms. Where coordinative discourse is reflexive or deliberative and communicative discourse attenuated or even populist/clientelist, as in the Netherlands and Ireland, center-left governments cannot implement labor market reforms with mandatory activation means. But where coordinative discourse is ensilaged and the communicative discourse declarative or didactic, as is traditionally the case in Britain and was exceptionally the case in Germany, center-left governments can implement mandatory activation policies. In both path-deviant cases (Germany and Ireland) strong and enduring advocacy coalitions grew out of the FÁS and Hartz vehicles.

Figure 6. Summary Table

	Netherlands	Britain	Ireland	Germany
Welfare State Type	Bismarckian	Liberal	Liberal	Bismarckian
Political Economy Type	Coordinated Market Economy	Liberal Market Economy	Liberal Market Economy	Coordinated market Economy
Unemployment Rate	12% (1992)	10% (1997)	19% (1994)	12% (2004)
Paradigmatic Document	1990 WRR report	1996 “New Deal for..”	1985 NESC report	2002 Bertelsmann Positionspapier
Reform Window	1992-6	1997-2000	1992-1995	2002-2005
Key Policy Entrepreneurs	Kok, Lubbers	Brown Blair	Quinn Ahern	Shröder Hartz
Governing Parties	CD-PvdA, PvdA-CD,	Labour	Fianna Fail-Labour Fine Gael-Labour-DL	Red-Green
Comparative Model	Scandinavian	USA	Scandinavian	British
Winning Advocacy Coalition	Polder social partnership	New Labour	FÁS-based	Hartz-based
Other Coalitions	Neo-liberal Neo-Keynesian	Rhenish	Neo-Keynesian Irish Blairites	Alliance for Jobs Ordo liberals

				Neo-Keynesians
Deliberative Mechanism	Party-centered	Hijacked Labour Party	FÁS (Government by commission)	Hartz (Government by Commission)
Coordinating (elite) Discourse	Deliberative Governance	<i>Ensilaged</i>	Deliberative Governance	<i>Ensilaged</i>
Communicative Discourse	Attenuated	Didactic	Populist	Adversarial
Policy Outcome	Enabled Activation	Mandatory Activation	Activation without Conditionality	Neo-liberalism in one class
Political Outcome	Radical path dependent reform	Radical path-dependent reform	Radical, path deviant reform	Radical path-deviant reform

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Endnotes

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- ¹ Or maybe a deeper regression to type after 2007, to the land of weeping effigies.
- ² Visser (1997), Schludi (2001)
- ³ These dates are of actual policy initiatives, they flow out of earlier paradigmatic documents – a 1990 WRR document in the Netherlands, the 1996 document “New Deal for a lost generation in Britain, the 1985 NESC report for Ireland and a 2002 Bertelsmann *Positionspapier* for Germany - the earlier stage is the coordinative discourse, the latter is the communicative one.
- ⁴ Boyle (2005) is based on 47 elite-level interviews conducted in 2003-4.
- ⁵ “Clientelism“ is a term almost universally used pejoratively, Boyle (2005) argues it can be both a form of social capital and an effective communicative discourse.
- ⁶ The argument here builds on Dyson’s (2005) that government by commission provided a method of accomplishing change analogous to change through Europeanization (both hand-tying) elsewhere.
- ⁷ Often referred to as social democrats.
- ⁸ The Rehn-Meidner model.
- ⁹ “Competition state“⁹ ideas are at odds with both traditional free-market (or ordo-liberal) and social democratic (or neo-Keynesian) paradigms. However, the “competition state“ spectrum itself is broad.
- ¹⁰ In particular, there is no assumption about a fiscal divided and thus policy activism need to be cost-neutral, with any “activating“ expenditures coming out of “passive“ budget savings.
- ¹¹ Participation is viewed as the only means to avoid social exclusion, opting out of the waged labor market is viewed as deviant. This poses a normative – challenge to conservative (familial, welfare without work) social democratic (decommodifying, market over need), and liberal (voluntarist) welfare state values .
- ¹² Positive activation identified normatively as “freedom to act“ in contrast to the “freedom from want“ of the KWS-
- ¹³ For a good discussion of the two dimensions of activation see W. Eichhorst and R Konle-Seidle (2008) Contingent Convergence: A Comparative Analysis of Activation Policies (IZA Discussion Paper No. 3905, December 2008. They use “demanding“ and “enabling“ as labels, we prefer mandatory instead of demanding, but the German Fordern is perhaps better still.
- ¹⁴ J. Torfing (1999) “Workfare with Welfare: recent reforms of the Danish welfare state Journal of European Social Policy Vol. 9. No. 1,
- ¹⁵ Requiring the unemployed to accept whatever job or placement offers are made, on pain of benefit loss.

¹⁶ As occurred with some social democrats (Sweden) and free-marketeters (Thatcherites) in the 1980's regarding active labor market policy.. The advocacy coalition approach is especially useful in capturing the distinction between "core beliefs" and secondary ones. There is considerable fluidity around secondary beliefs, but the not primary ones.

¹⁷ A formulation borrowed from Peter Hall *Governing the Economy* (1986) p. 18.

¹⁸ Our term, not Schmidt's. The analogy from agriculture is that "ensilaged" policy reform seals it off from elements (oxygen=widespread debate) that would rot it at an early stage. Ensilaging preserves the product but it also chemically alters it: "pickled" rather than fresh or dried. The authors have roots in Schleswig cow country and Connaught sheep country respectively, please excuse the agricultural analogy.

¹⁹ The advocacy coalition framework is defined by Sabatier and Pelkey as follows: "Advocacy coalitions are composed of elite actors from a variety of institutions - interest groups, agency officials, legislators, executive overseers, intellectuals - who share a general set of normative and causal beliefs concerning the policy area" (1987: 237).

²⁰ "Thus policy learning cannot be viewed as a politically neutral exercise for improving policy making." (Fleckenstein: 182).

²¹ "We all know that there is no prospect of getting unemployment down to acceptable levels within the next few years (consequently) we must show that we have some political imagination, that we are willing to salvage something – albeit second best – from the sheer waste involved". (Prime Minister's Central Policy Review Staff, February 1981 report).

²² This spending came close to rivaling that on "passive" unemployment and welfare programs, and was high in comparative perspective. ALMP 1979-90 was the most spectacular, and counter-intuitive, aspect of Thatcherite labor market policy.

²³ The MSC was the national labor market agency, a social partnership organization. Continental European models, particularly the West German Vocational Education and Training model were especially admired by the MSC. The term "Rhenish" was usually applied to this because (a) it was a preferred euphemism for "German" and (b) it alluded to features of the political economies of the original EEC 6.

²⁴ The MSC's "house philosophy" was based on an analysis that saw Britain's relative economic decline as being rooted in a flawed social ethic, a cultural constraint on economic modernization: a constraint that had to be challenged. The key actors involved in the development of MSC ideas and programs shared these views. Geoffrey Holland was an early planner of the Training Services Agency and he subsequently became director of the MSC and, after its abolition, permanent secretary at the Department of Employment

²⁵ We will now guarantee a place on the YTS to every school leaver under 18 who is not going directly into a job... We will take steps to ensure that those under 18 who deliberately choose to remain unemployed are not eligible for benefit. We will improve the Community Programme [the main program focused on the long term unemployed] to make it full time and better able to help those with families. We shall pay those working on the programme an allowance giving a premium over and above their social security payments". Conservative Party Manifesto, 1987 "The Next Moves Forward".

²⁶ It's perceived success (stressed by both Young *The Enterprise Years* p. 174 and Fowler *Ministers Decide* p. 187) did much to set the terms of the debate over the extent of work-shyness on the part of the unemployed and the need for further coercion into the labor market,

²⁷ Marginalizing the neo-Keynesians in active labor market policy, even during the brief neo-Keynesian ascendancy in macro economic policy 1980-83 under Michael Foot.

²⁸ Crisply summarized in the 1997 manifesto: "New Labour is a party of ideas and ideals but not of outdated ideology...we have liberated these values from outdated dogma or doctrine, and we have applied these values to the modern world. I want a country in which people get on, do well, make a success of their lives....We will give under-25's opportunities for work, education and training. Four options will be on offer. *Rights and responsibilities must go hand in hand, without a fifth option of life on full benefit*". 1997 Labour Party Manifesto *Britain will be better with New Labour*.

²⁹ Interview with Richard Warner, General Manager, *Demos Institute*, July 18, 1999

³⁰ Ibid.

³¹ Ibid.

³² Ed Balls, the special adviser to Gordon Brown who was most intimately involved in creating New Deal, studied under Larry Summers (Secretary of the Treasury) and Lawrence Katz, (who served under Robert Reich in the Department of Labor), whilst at Harvard. They co-authored a paper that analyzed British unemployment by region and skill and concluded that long term unemployment was largely the result of "skill mismatches and a loss of the culture of work...". Ed Balls points out that both the Clinton and Blair governments' welfare reform strategies have been forged in accordance with this basic logic. Interview with Ed Balls, Special Adviser to the Chancellor of the Exchequer, HM Treasury, November 18, 1998.

³³ Such as then US Deputy Treasury Secretary Larry Summers and Hilary Clinton.

³⁴ Interview With Bill Wells, DFEE, July 26, 1999

³⁵ Interview with Luke Bruce, The Labour Party Policy Unit, Milbank Tower, July 21, 1999.

³⁶ Interview With Andrew Maugham, Special Adviser to the Secretary of State for Social Security, July 27, 1999.

³⁷ Interview with Andrew Kilpatrick, Head of Macroeconomic and Fiscal Policy, HM Treasury, November 16, 1998.

³⁸ "New Deal Special Report", *New Statesman* April 3 (1998) 52-58.

³⁹ Jobs for the Boys and Girls, *New Statesman*, February 13, 1998, pp22-23. Interview With Bill Wells, DFEE, July 26, 1999.

The result is a complex pattern of arrangements in each of the 136 Education Service districts. It is important to emphasize that each district possesses its own unique institutional arrangements that involve various public-private partnerships. This is viewed a critical for ensuring the flexibility required to respond to regional needs

⁴⁰ The private papers of Charles Haughey, who as Taoiseach 1987-92 oversaw the introduction of social partnership, credit Schmidt with convincing Haughey at a 1982 European summit meeting, that German-style social partnership was a better model. *Irish Independent* February 4th, 1987.

⁴¹ The color coding is derived from the neo-liberal “Golden Straitjacket” identified by Thomas Friedman (*The Lexus and the Olive Tree*, New York, Anchor Press, 2000) and the black of European Christian Democracy (clerical by origin), the ideological underpinning concepts of social partnership and subsidiarity.

⁴² Introduced by Minister for Labour (Taoiseach 1997-2007) Bertie Ahern, (building on the work of his predecessor Ruairi Quinn (a leading Labour politician) who drafted the September 1986 White Paper on Manpower Policy).

⁴³ Interview with John Lynch, FAS Chairman 1988-91 and FAS Director General 1991-2000, 1-15-02. Labour Minister Ruairi Quinn also cites Sweden as inspiration (interview, 2004).

⁴⁴ Boyle 2005 was based on 47 elite-level interviews conducted in 2003-4.

⁴⁵ Dermot McCarthy is the godfather of social partnership. As director of the National Economic and Social Council (NESC) played an important role in its initial formation and since 1993 as Assistant Secretary General in the Department of the Taoiseach and since 2000 as Secretary General to the Government, and the Department of the Taoiseach he has been the Irish government’s key interlocutor with the social partners.

⁴⁶ *Economist*, February 27, 1988, p. 41. Delors 1 channeled IR£3.1 billion to Ireland, one third of it through FAS. Delors 2 channeled IR£4.6 billion into Ireland. Over one third of this went through FÁS. At a broader level, the European Commission as an important actor in Irish ALMP reinforced the concept of social partnership and highlighted European models (both Social and Christian Democratic) for Ireland. Irish state institutions are usually caught between the rock of powerful, centralized state (especially the Finance Ministry) and the hard place of a party system highly responsive to local political pressure. In the case of FÁS, European money and the ability of Finance to calculate the net cost of programs gave FÁS leverage with Finance that sustained support for FÁS programs even in times of extreme fiscal austerity. The breadth of local support for FÁS programs provided further political insulation that extended across party political boundaries. The regionalization of FÁS furthered its ability to nurture and mobilize alliances with local community groups.

⁴⁷ One principal actor recalled, “I remember going to a National Consultative Committee meeting, which monitored progress on the partnership programme, and being asked if we could increase the Social Employment Scheme (later, the Community Employment Scheme). To the horror of our parent civil service Department, I said that we could double it to over 30,000 participants (representing nearly 3 percent of the labour market). We were subsequently asked to double it. This would not have occurred in the normal liaison between FAS and its parent Department”. Correspondence with Henry Murdoch, Assistant Director General of FAS 1987-99.

⁴⁸ OECD (2003), *Employment Outlook* (OECD; Paris 2003). Of those 1.8 million native Irish in employment in 2004 well over half have participated in FÁS training and/or employment programs Between 1987 and 2001 FÁS throughput on its training and employment schemes averaged about 100,000 per year (FÁS annual reports 1987-2001). MacSharry and White note that 500,000 participated in EU supported training 1989-93, though they characteristically omit to mention that all of this operated through FÁS (Mac Sharry and White, 2000, 156). The bulk of the job growth has been in sectors that have drawn heavily on FÁS programs and trainees, especially in the 2002-2007 construction boom. 70% of the job growth has been concentrated in five sectors: construction; sales; hospitality; transport and communication; and financial. These figures are for the 1994-2000 period, Quarterly National Household Survey, November 2000. All of these sectors recorded growth of more than 30%.

⁴⁹ The two most important actors in active labor market policy in Ireland were Bertie Ahern from the left wing of Fianna Fail and Ruairi Quinn from the trade union wing of Labour. One or other served as either Employment Minister of Finance Minister for the 1983-97 period, 1992-1994 represented the apogee of this axis with Ahern at Finance and Quinn at Employment.

⁵⁰ Headed by Julie O’Neill (in Tanaiste Spring’s office). An interdepartmental committee also at work on this. The Taskforce report came out in Feb 1995.

⁵¹ Interview with Dr John Lynch, FAS Chairman 1988-91 and FAS Director General 1991-2000, 1-15-02.

⁵² All political parties are clientelistic and localistic in their orientation, the electoral system making them hyper-responsive to their constituents, especially unemployed constituents, Ireland being unusual in having higher voter turnout among poor voters than among wealthy ones

⁵³ Regarding commutative discourse and Irish politics, the lack of a conventional left-right spectrum is unusual. Fianna Fail, the dominant party in the Irish political system defies easy classification. It identifies itself as center left (especially Ahern), and some scholars agree with the (O’Donnell 2008: 88). Populist with a markedly progressive wing would be a better description, a progressive wing that has always sought to cultivate cooperation with unions.

⁵⁴ Bruton and his officials crafted the 1997 *Human Resource Development* White Paper that drew on three distinct sources of criticism of FÁS: expert and/or consultant opinion on the effectiveness of FÁS programs; criticism of FÁS from employers; and criticism of FÁS’s independence from Departmental control.

⁵⁵ The political strategy of casting a “progressive” agenda as equidistant from the new right and the old social democratic left.

⁵⁶ In the area of active labor market policy this involved both an emphasis on the “duties” of benefit recipients and an “individualized” approach to addressing skill needs.

⁵⁷ It was not, however, a backdoor route to workfare. The paradigm represented a modified and heavily coded form of Irish neo-liberalism: a “new economy” approach that viewed training as a vehicle through which Irish firms could become more strategic, “thinking organizations”

⁵⁸ Irish clientelism is a self-abasing sort, according to Collins and O’Shea (2003) in which clients view patrons as being beholden to them, not vice versa.

⁵⁹ Boyle (2005) dubbed FAS the Swiss Army Knife of the Irish stare – Swiss army knives being noted for performing myriad functions, none of them well, but that they perform so many is what is valuable. Participation on CE peaked at 5% of the workforce in the mid 1990's, averaged 3% in the late 1990's and fell to 1% of the workforce for 2000-2008 (OECD, 2009:136).

⁶⁰ This was to be put to the test again by (a) the disappearance of mass unemployment and (b) the tenure of Mary Harney as Minister responsible for employment policy 1997-2004. With the end of mass unemployment was not FÁS's raison d'être gone? And not only did CE did not wither away in fact, relative to the number of long-term unemployed, it remained as large a program as ever, and was increasingly asked to address an even larger array of policy problems.

⁶¹ As of 2009 the Department of Social and Family Affairs had created an "Activation Programme" but it lacked any participation requirements, there has also been a crackdown on outright fraud

⁶² This CDU slogan of the election campaign in 1957 (Adenauer was Chancellor) seems to fit also to Kohl's strategy.

⁶³ A famous title of the German political magazine showed the country as a strangulated tree, *Der Spiegel* (39) 2002 (21.09.2002).

⁶⁴ The CDU had close ties to unions as well as SPD politicians to business. (CDU → CDA; SPD → AFA and Trade Union Council)

⁶⁵ Hartz III entered into force in January 2004 and effected a structural remodeling of the former *Bundesanstalt für Arbeit* (public employment service) into the new *Bundesagentur für Arbeit* (public employment agency).

⁶⁶ In fact this alteration was not part of the fourth law for modern services on labor market but of a fifth law approved the same day.

⁶⁷ Given this fact the social protests against the reform coming up in 2004 cannot really surprise.

⁶⁸ Translation by the German government, s. NAP 2003-2005.

⁶⁹ The Federal Audit Court checked the placement statistics of 5 employment offices with the scandalous result that over 70% of booked placements were wrongly booked (*Handelsblatt* vom 6.2.2002).

⁷⁰ There are various factors for Schröder's victory, the Hartz Commission certainly does not serve for monocausal explanation.

⁷¹ In analogy to the famous revolutionary movement in the DDR in 1989.

⁷² Constitution as party not before 2005.

⁷³ We can also deliver a first and very basic explanation for the development of a new political party in the following years, Die Linke.