

THE MALLEABLE POLITICS OF WELFARE-TO-WORK REFORM: GERMANY'S "HARTZ" ACTIVATION COMPARED WITH THE DUTCH, BRITISH AND IRISH CASES

By

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Abstract. We compare the Hartz reforms in Germany with three other major labor market activation reforms carried out by center-left governments. Britain and Germany developed radically neoliberal “mandatory” activation policies, whereas in the Netherlands and Ireland radical activation change took a very different “enabling” form. The Irish and German cases were path deviant, the British and Dutch path dependent. We explain why Germany underwent “mandatory” and path deviant activation by focusing on two features of the policy discourse. First, the elite level discourse was “ensilaged” sealing policy formation off from dissenting actors. This is what the British and German cases had in common and the result was reform that identified long term unemployment as social delinquency 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 wider legitimating discourses were reshaped by novel institutional vehicles (the Hartz Commission and FÁS) that served to fundamentally alter system-constitutive perceptions about policy. The findings suggest that major reform of welfare-to-work policy may be much more malleable than previously thought.

I Introduction

Why did a red-green government in the model Bismarckian coordinated market economy implement a “mandatory” welfare-to-work activation policy which identified long term unemployment as social delinquency rather than market failure, whilst in neoliberal Ireland, the model “competition state”, mandatory benefit conditionality was explicitly repudiated in favor of a gentler “enabling” regime? This article explains this puzzle and in doing so challenges arguments made about welfare state reform: that welfare states are given to immobilism, and that when change does occur it is path dependent. We analyze four cases of radical activation reform carried out by center-left governments: the Netherlands, Britain, Ireland and Germany. In two of these cases reform was radical but path dependent: Britain and the Netherlands. In Germany and Ireland reform was both radical *and* path deviant.

Two major arguments are made in the article. First, where there is an open process of reflexive “deliberative governance” with policy formation and legitimation essentially *coterminous* the construction of an advocacy coalition to bring the reform effort to success precludes a center-left government (and perhaps others) enacting a “mandatory activation” policy. However, where this restraint is lifted and policy formation is *ensilaged*¹, sealed off from the wider legitimating discourse which is thereby rendered didactic, then mandatory activation becomes possible. Second, policy discourses may be restructured in such a way as to override the “normal” trajectory of policy development. Path deviant reform in Germany and Ireland occurred because novel institutional vehicles (the Hartz Commission and FÁS) broke the existing moulds for policy change.

The analytic framework used in this article is laid out in section II. The article draws on the advocacy coalition approach and within this framework we use analysis of both elite-level (coordinative) discourse and legitimating (communicative) discourse. A typology for

understanding activation policy which draws on “competition state” theory, is also 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. The four cases reflect different outcomes regarding (a) the type of activation accomplished and (b) path dependency (see Fig. 1).

Fig. 1. Activation Reform and Path Dependency: the cases.

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

In the empirical sections of the article we first analyze the Dutch and British cases. Examination of the Dutch case builds on the secondary literature, particularly Hemerijck and associates, examination of the British case builds on Boyle (2006) and Boyle and Roy (2006). The crucial reform window in *Modell Niederlande* is identified as 1990-96, 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 still clearly followed national path dependent trajectories². Although Ireland is usually held up as the poster child for neo-liberalism, analysis building on Boyle (2005³) demonstrates that at the Celtic Tiger’s core lay an activation reform process that

combined state-led developmentalism, positive political clientelism⁴, and a social democratic 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. Finally, although Germany has been identified as the classical “reform blocked” political economy, the Hartz reforms constitute the largest activation reform yet accomplished in Europe, and one that was path deviant. Analysis building on discourse analysis by Boyle and Schünemann (2009)⁵ 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 exceptional in the German context which is 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. By “ensilaging” the formative, coordinative discourse and then using government-by-commission⁶ to advance this discourse to and through the wider legitimation discourse, the Schröder government both mimicked the authoritative policy-making process extant in Britain and brought about a radically neo-liberal outcome: a mandatory activation regime.

II Analytic Framework: Institutions, Advocacy Coalitions, Discourse Analysis and Activation

Comparative institutionalists have established that there are distinctive types of advanced capitalist political economies with distinct trajectories of development (Esping Andersen, 1990; King, 1995; Hall and Soskice 2002). However, among scholars undertaking empirical work on welfare state reform a consensus emerged that welfare states showed great resilience to change of any sort. Institutional-determinist arguments such as Pierson (1994 and 2001) and Boyle (2006) argued that welfare state retrenchment generated major electoral risks for governments, 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).

Although “divergence” or “freezing” hypotheses are predominant in the field of welfare state reform, one important convergence argument concerns the EU, particularly through the Lisbon agenda. In the era of the “semi-sovereign welfare state” (Leibfried/Pierson 1997; Hemerijck, 2006), the role of international actors cannot be ignored. Eichhorst and Hemerijck’s (2008) analysis suggests that the EU’s 1997 European Employment Strategy can be seen as an international manifestation of a social-democratic-leaning paradigm, with the 1994 OECD Jobs Strategy as a more overtly neo-liberal paradigm⁷. The argument has been made that these international actors may be leading to an EU-wide “contingent convergence” (Eichhorst and Konle-Seidl, 2008).

Institutionalists have been accused 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. However, 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”. 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). 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. 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 discourses 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).

The approach followed in this paper draws on the advocacy coalition framework developed by Sabatier and collaborators (Sabatier and Pelkey 1987; Sabatier 1988; Sabatier and Jenkins-Smith 1999), which 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 programs.⁸ 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). 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. Coalitions form around different policy core ideas and paradigms. Conflicts over policy change generate ‘paradigm politics’.

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. Keller (2008) has set out a methodology for formal discourse analysis in the sociology of knowledge which has been applied to discourse coalitions in the German case by Boyle and Schünemann (2009). This involves a focus on the sociology of knowledge along lines laid out by Keller (Keller 2008). In an earlier application to political analysis of welfare state reform Schmidt (2002) used discourse analysis to distinguish between the “coordinative discourse” through which elite-level actors talk to one another, 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”⁹ 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 thus *coterminous*. Analysis of social pacts and “deliberative governance” (O’Donnell, 2008; Fajertag and Pochet, 2000; Hanke and Rhodes, 2005) 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 institutionalists we take that “normal” politics is likely incremental and path dependent, and the need to focus on veto actors. From the parties literature we take the need to focus on center-left episodes and intra-party politics. From policy learning we take the focus on ideas how policy advice is structured. From discourse approaches we take the need to consider whether discourse is reflexive (with coterminous elite-level and coordinating discourses) or authoritative/strategic (with an ensilaged elite-level discourse) and the utility of discourse analysis as a method.

Welfare-to-Work “Activation” Policy

Activation policy is paradigmatically distinct from both neo-Keynesian and market liberal worldviews. For neo-Keynesians achieving full employment through fiscal policy, wage regulation and a high level of redistributive social policy – the “Keynesian Welfare State” (KWS) synthesis – is the core belief. For neo-Keynesians in small, open economies “Active Labor Market Policy” (ALMP) was long an important secondary mechanism focused on retraining labor from declining sectors¹⁰. But it was not the role of the “KWS” to amend the behavior of unemployed people. The distinction between “Active” labor market policy and “activating” labor market policy is important here. At the other end of the spectrum market liberal 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.

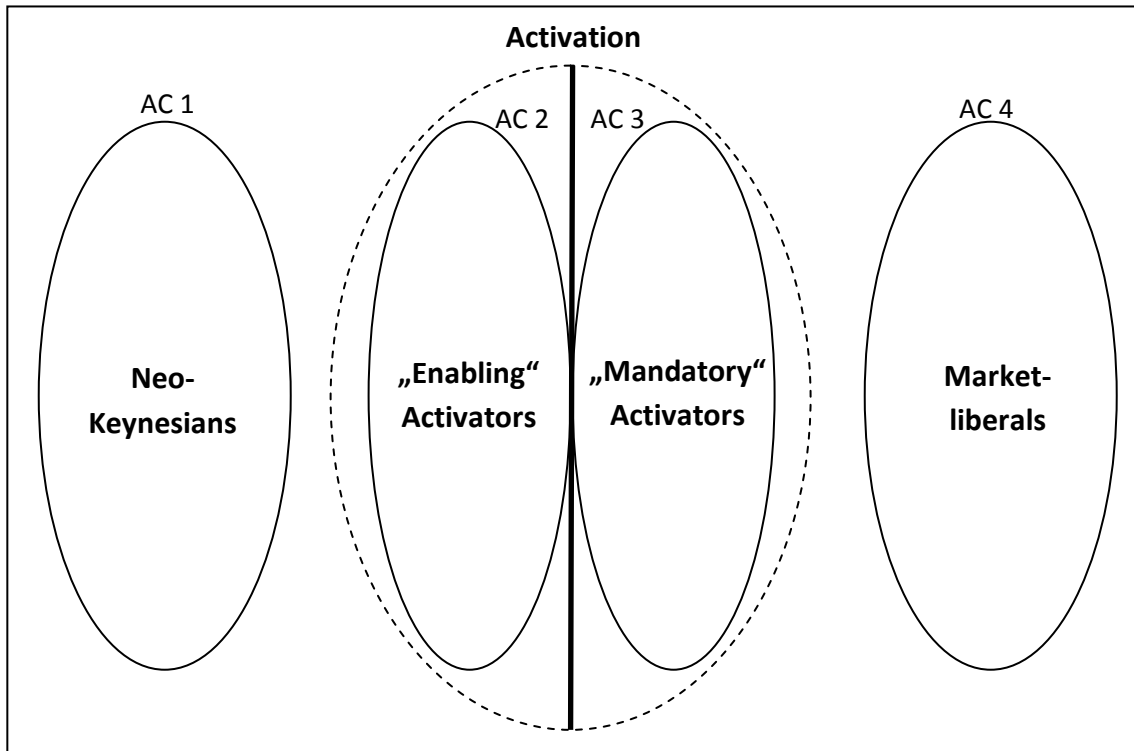
As Cerny has argued the forces variously known as economic “neo-liberalism” and “globalization” have led not to a decline of state intervention but rather to an increase in intervention and regulation: to actively promote competitiveness and marketization (Cerny, 2000:122). This involves microeconomic 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”. 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 do,
- Privileges labor market participation over other social activity: universal waged work is the goal.¹¹
- Focuses on using social policy to reshape labor market participation in order to promote growth.
- Sees social policy as mutual responsibility between individuals and government, not rights based.

All activation policy is in the broadest sense “neo-liberal”. But activation 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 Lødemel 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 in binaries: Fleckenstein (2008) positive-negative¹² ; Eichhorst and Konle-Seidle (2008) enabling-demanding¹³; Torfing (1999) carrot-stick, and Chancellor Schröder famously Fordern-Fördern. We use enabling-mandatory, building mainly on Eichhorst and Konle-Seidle.

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 Potential Advocacy Coalitions (ACs)



The crucial cleavage within the activation worldview 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 this. “Enabling” activation doesn’t question the willingness to work, but 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 market liberal 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 ideas (fig. 2).

III Comparative analysis: the Netherlands, Britain and Ireland

III.1. Modell Niederlande: the Dutch Miracle and Enabling Activation 1990-96

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), although the Dutch version of the Beveridge model (the 1945 Van Rhijn Report) gave the Dutch welfare state a social democratic dimension distinct from the contemporaneous German social market economy model (Van Oorschot, 2006). This was further expanded in the

1960's, but in the 1970's the Netherlands followed the Bismarckian pattern of addressing high unemployment by shrinking the labor supply.

The Dutch electoral system has always produced coalitional government, but rather than the 2-bloc pattern notable in other such systems 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 two of these three parties (Green-Pederson 200: 963). Another 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 cleavages.

The “Dutch Miracle” (Visser and Hemerijck, 1997) grew out of the 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 Kok was leader of the social democratic party PvdA, then Finance Minister 1989-94 in a Lubbers-led government, then prime minister 1994-99 in coalition with the christian democrats and 1999-2002 with the liberals. The Wassenaar agreement was strongly influenced by reports and analysis by the STAR and CPD institutes (Visser and Hemerijck, 1997). Macroeconomic policy rested on 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 its “activating” nature have been overestimated. Aggregate measures for retrenchment by budgetary impact for 1982-1998 shows that the biggest retrenchment was in the area of pensions, early-retirement benefits and disability pensions rather than in the core area of unemployment benefits (Green-Pedersen, 2001, Van Oorschot, 2006). Unemployment insurance (WW), means-tested social assistance (ABW) and active labor market policy have a different pattern: unemployment insurance spending has varied cyclically but has not been markedly reduced, and both social assistance and active labor market policy spending

rose, in the case of the later rapidly so. Aggregate spending alone 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 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 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. This agenda developed 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 but this system was transformed by the 1994-2002 Kok-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). The parties were not responding to electoral pressures; rather parties were acting on CPB and WRR analysis. The agenda regarding benefits unfolded in 1995-6: the 1995 reform of unemployment insurance (WW) 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, importantly, the standard for what constituted “suitable work” for the unemployed was modestly broadened (van der Veen and Trommel, 1999). This was stringent reform in the Dutch context, but very modest in comparison with the contemporaneous Clinton work-welfare reform.

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. 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, disabled workers) was enhanced 1992-6, *coaxing* the unemployed into the labor market. 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 carers to participate in the labor market, augmented further in 1999 (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 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 variant¹⁴. The PvdA was especially successful in cultivating the idea that the enabling activation agenda was in a Dutch tradition of liberal tolerance regarding work and postindustrial values: “a multiple choice model of employment” (Hemerijck, 2000, 271). The Dutch case involved a radical but path-dependent change. Despite a clash over benefits reform, elite and legitimating discourses remained coterminous. An advocacy coalition centered on the PvdA predominated without major opposition from neo-Keynesian or market-liberal actors.

III.2 New Labour, New Deal and Mandatory Activation 1997-2000

The “New Deal” episode in Britain is examined to identify the source of policy ideas, the resultant ideational contestation and the forging of a “winning” policy coalition. New Deal represented a repackaging of “Thatcherite” neo-liberal activation, one 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 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 the single-actor nature of the political system to accentuate the liberal characteristics of the political economy and welfare state. 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 to activation (Boyle, 2006).

The Thatcher government had its “triangulation moment” in 1981¹⁵ and developed a set of ALMP programs which involved a quintupling of expenditures and 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 administration. ALMP 1979-87 involved a prolonged struggle between the MSC’s “developmentalist” or “Rhenish”¹⁶ paradigm and that of the Thatcherites. It was only in the run-up to the third Conservative election victory in 1987 that the Thatcherites undertook the decisive shift towards a mandatory activation strategy. Following up on its 1987 manifesto commitment the government introduced the “Employment Training” (ET) program, the central element of an incipient workfare system. Significantly, the main “ideas merchant” influential in the reforms was an American advisor parachuted into the Department of Employment¹⁷ (Boyle 2006).

The Labour Party had adhered to the “Rhenish” model in government and opposition from 1976-92. 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”. 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-tanks such as the Demos Institute, founded in 1993, and allied scholars such as Anthony Giddens¹⁸. The US model loomed large for Tony Blair, Gordon Brown and the New Labour modernizers. Clinton championed substituting a policy of “workfare” in place of traditional welfare dependency. New Labour had strong intellectual ties with key figures in the Clinton Administration. Gordon Brown frequently met senior officials in the Clinton administration 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. 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. 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, 1996 and in the 1997 manifesto¹⁹. 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 whilst forging a coalition out of “New Labor” modernizers and the training policy network of “Training and Enterprise Councils” that had been bequeathed them by the Thatcher and Major governments (Boyle and Roy, 2006).

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 ensilaged 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 1994-9 (Fairclough, 2000) “New Deal” was second only to “New Labour” as his most frequently used phrase (70 to 72 instances). 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, and New Deal was launched in 1998 (Boyle and Roy, 2006).

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 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 ideational allies in the policy subsystem for the 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.

III.3 Activation Without Benefit Conditionality: 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-style” administrative apparatus (unitary, with 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. Recent DNA evidence has even revealed Helmut Schmidt as the grandfather of Irish social partnership²⁰.

It was out of social partnership that the ideas, the political direction 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. Economic policy since 1987 has revolved around comprehensive pacts that included centralized wage bargaining coordinated with government social policy, but also involved a much broader (coterminous) political and economic consensus on economic strategy negotiated by the social partners and political elites. For some this is a novel model of “problem-solving”, negotiated economic and social governance (O’Donnell 2000) 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 1987²¹ based on a 1985 NESC 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 policy (Boyle 2005).

The government’s role in social partnership (stronger than in the Dutch or Scandinavian cases) was from the start been directly administered by the Taoiseach’s office²². Funding for active labor market programming remained strong because of support from the Department of Finance (focused on the net cost of programming) and the Delors windfalls²³. In terms of administrative capacity the Irish training agency FÁS 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”. It was 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 so²⁴. There was little interest in connecting this programming to benefits, to the on-going chagrin of the OECD (2009).

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 had occurred with the prospect of 20% unemployment (a crisis equivalent to Germany’s in 2002) and resulted in a new Fianna Fail – Labour Party coalition²⁵ with 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 placements.

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. FÁS was confronted from the “left” by an alternative neo-Keynesian 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 politicians. 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 constituents²⁶). All politicians had FÁS schemes in their constituencies. The partisan complexion of governments did not matter either, 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 party²⁷ (future Taoiseach Bertie Ahern being the best example, and one of several senior Fianna Fail figures who explicitly labeled themselves “socialists”) and to the Labour Party, which was to be the anchor of governments introducing CE (Boyle 2005).

In addition to a challenge from a neo-Keynesian advocacy coalition the enabling activator coalitions congealed around FÁS 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 nominally responsible for 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 and was much influenced by Blairite thinking and the rhetoric of responsibility regarding the unemployed. “Robustness” and “conditionality” (code words for a connection between work and social welfare benefits) and “targeting”; and “early interventions” were cited by Department officials as Blairite euphemisms for a harsher regime. 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.²⁸ One disadvantage that this mandatory activator 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 Harney as Employment Minister, becoming a permanent fixture²⁹ in the armory of the Irish state for addressing “problem” categories such as the disabled, single parents, mentally ill and addicts. 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 enabling activator coalition has been definitive (Boyle, 2005). Ireland has retained “activation-without-conditionality”³⁰. As the 2009 OECD report stated: “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 involved enabling activation 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.

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

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) and self-administered. Unemployment insurance was not part of the original Bismarckian architecture but was added as a fourth pillar in 1927. Labor market policy was basically passive (Schmidt/Ostheim 2007: 138). The first substantial change in this system was implemented by the CDU/SPD government after the economic crisis of 1966. In 1969 an Employment promotion law 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, an “add-on” inspired by the perceived success of the Rehn-Meidner model in Sweden. In face of the 1970’s economic crises the Schmidt SPD/FDP government reacted with moderate retrenchment in social spending, including active labor market policy (Hegelich/Meyer 2008: 131). The fiscal cost of growing numbers of unemployed led Otto Graf Lambsdorff (FDP) to present a conceptual paper in 1982 inspired by neoliberal, Thatcherite thinking and containing many ideas which were to be central to the Hartz reforms: reduction of regular duration for unemployment benefits to 12 months, the restriction of reasonability rules, the accentuation on personal responsibility (Butterwegge et al. 2007: 137). Schmidt viewed his minister’s paper as a “paper of divorce” (Butterwegge 2007) and the SPD-FDP coalition duly collapsed, leading to the 1982-98 CDU/FDP-coalition under Helmut Kohl.

Despite initial austerity (*Haushaltsbegleitgesetze* 1983/84) the Kohl governments 1982-90 were cautious in the “*Keine Experimente!*” CDU tradition: Labor Minister Norbert Blüm, the only cabinet minister to serve the entire length of Kohl’s government, personifying this cautious path. Lambsdorff’s precocious mandatory activation ideas of 1982 were shelved (Josef Schmid,Ostheim/Schmidt 2007). Re-unification in 1990 led to much higher social spending in response to structural unemployment in the former DDR of a dimension not known before (Trampusch 2005). Active labor market policy was radically extended. 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 center-right government was any sort of fundamental neo-liberal social policy reform possible: *Reformstau* (Streeck/Kitschelt, 2003) or the “blocked Republic”³¹ with vetoes exercised by corporatist opposition and by political opposition in the *Bundesrat* (the joint decision trap). In 1998 unemployment reached over 4 million (12.3 %) contributing to Schröder’s substantial election victory.

Schröder promised a reduction of unemployment to 3.5 million by 2002. The red-green government initially followed a traditional social democratic policy in social and economic fields, with the neo-Keynesian Lafontaine as finance minister until his unexpected resignation in 1999. 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 traditional conception of labor market policy formation: 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, but despite this special function the Bertelsman Foundation at this point was not unduly privileged among the array of think tanks, independent research institutes and advisory groups that were normally involved in policy debates (Boyle and Schünemann, 2009). Policy was still pre-shaped by corporatist negotiations between employers and unions with government merely the moderator. In parliament the policy subsystem was confined to party politicians with social policy background and expertise, SPD and CDU politicians with close ties to unions and business³² (Trampusch 2005: 5). The only policy result of the Alliance for Jobs was the Job-AQTIV law which came into force in January

2002. The reform shared the focus on activation with the later Hartz reforms but since it was negotiated under strong influence by the unions it concentrated on the enabling or “positive” activation (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 results of the Alliance for Jobs were commonly evaluated as very limited and it was dissolved by Schröder in 2003 although it already had already become paralyzed by 1982 (Trampusch 2005: 11), 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).

Parallel to the creation of the Alliance for Jobs Schröder had provoked what proved to be prescient protest within the SPD by publishing a common position paper with the British Prime Minister Tony Blair. The Schröder-Blair paper (1999) had been drafted by the British Minister Peter Mandelson and the Head of German Chancellery Bodo Hombach (both viewed as *éminences grises* figures by the left wing of their respective parties). Influenced by Anthony Giddens’ conception of a Third Way it was transposed to the German concept of “Neue Mitte”. The paper was a manifesto for modernization of social democracy and contained ideas influential in the subsequent Hartz reforms. From this point on the Bertelsman Foundation³³ did emerge as a privileged actor, the locus for an ensilaged government discourse about activation (Boyle and Schünemann, 2009). With the dissolution of the Alliance for Jobs Schröder was able to abandon the traditional procedural strategy of tripartite deliberation and adopt policy ideas emerging within the Bertelsman Foundation as his *Chefsache*. After a scandal at the *Bundesanstalt für Arbeit*³⁴, Schröder was able to install social democratic modernizer, Florian Gerster as its new President. 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 Schröder confidante Peter Hartz. Besides Hartz fourteen other experts were appointed: six 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. The Hartz mechanism allowed for a drastic reduction in the number of speaker positions, excluding many actors normally involved in such deliberations. After six months of Commission negotiations the final report was presented in August 2002, although by June the first proposals had been floated to the media and a public debate about labor market reform and the proposals from Hartz Commission began. As major social cutbacks had been kept out of the August report, and the upcoming September elections had a “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 acquiesced to, with the enabling elements welcomed. For the CDU/CSU and FDP the thrust of Hartz report was correct but belated (Boyle and Schünemann, 2009). After his widely unexpected victory³⁵ in the September 2002 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.

The four Hartz laws were passed in 2002 (Hartz I + II) and in 2003 (Hartz III³⁶ + IV). The most important element of the first legislation package 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, much further than in the Dutch case. The long term unemployed have to accept almost any job without

respect to their former living standard or their educational status. By refusing a job offer claimants risk cuts in benefits. Furthermore it was up to the unemployed to deliver arguments why a job offer is not reasonable, the burden of proof shifted from government to the unemployed (Dyson 2005: 236). Compulsory placement also obtains for the so-called *Ein-Euro-Jobs*, which can be offered by community/charitable institutions and mean an additional income for unemployed of one Euro per hour, like Irish CE but *with benefit compulsion*. The most controversial element of the reforms was Hartz IV. From January 2005 unemployment assistance and social assistance benefits were to be integrated into a new tax-funded and means-tested unemployment benefit II (*Arbeitslosengeld* or ALG II). As Fleckenstein put it: “unemployment benefit II effectively became the benefit system for the long-term unemployed” (Fleckenstein 2008: 179). “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). The special radicalism of Hartz reforms thus can be seen in the combination of Hartz IV and the restriction of reasonability rules by Hartz I. The reform package was characterized by the government “*Fördern und Fordern*” (Promoting and Demanding). The enabling reforms are themselves either unremarkable administrative restructuring or changes specifically designed to hinge on the mandatory elements. The assault on “welfare without work” is seen as “a critical moment in the departure from the conservative welfare model” (Fleckenstein 2008: 178-179).

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. The government implemented controversial innovations as part of the Agenda 2010 later in 2003 despite having been explicitly excluded these from the 2002 SPD election manifesto (Trampusch 2005: 11-12, Pilz 2004: 154). The previously ensilaged elite-level discourse was now unwrapped. Detailed analysis of the March-December 2003 window by Boyle and Schünemann (2009) identify three

key discourses: “Reformstau”; long term unemployment as social delinquency; and personal responsibility. The Reformstau metaphor was used to create a “governing TINA” (There Is No Alternative) in which the Hartz proposals were presented as the only reform possibility on the agenda. The discourse about unemployment as an anti-social behavior quickly became dominant, with even opponents of the Hartz reforms showing a marked reluctance to ascribe long term unemployment to market failure. The discourse about personal responsibility, building heavily on ideas from the Schröder-Blair paper, advanced that idea that the primary responsibility for addressing unemployment should rest with the unemployed themselves (Boyle and Schünemann, 2009).

The long-anticipated protest belatedly grew at this point, especially from the “traditionalist” camp within the SPD and the unions. Throughout 2003 there were ferocious fights within the SPD, but SPD modernizers in government were able to build a “grand coalition” with the center-right opposition (Trampusch 2005: 18). In effect, advocacy coalitions had been realigned from four to two with SPD modernizers (“mandatory activators”) now aligned with ordo-liberals from the opposition who had a majority in the Bundesrat (Boyle and Schünemann, 2009). The “enabling activators” were “cast off”, as marginalized from the emerging legislation as were the neo-Keynesians. Hartz IV was further modified towards more liberal ideas through the arbitration committee between Bundestag and Bundesrat. These consensus needs were further used to bypass resistance within the SPD.

Although there had been some public demonstrations against the Hartz reforms and the Agenda 2010 in autumn 2003, the Hartz IV demonstrations did not reach their peak until August 2004, a long time after the Hartz laws were enacted and only a few months before Hartz IV was implemented. The anti-Hartz social movement was to trigger the establishment of a new party in German political system. Disillusioned SPD-members and unionists (paradigmatically neo-

Keynesians) formed the WASG (*Wahlalternative Arbeit und soziale Gerechtigkeit, Election alternative Labor and Social Justice*) in 2004 and 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.

The path-deviant radicalism of the Hartz initiative is all the more striking for being a relatively isolated radical neo-liberal reform in Germany. Despite much discussion about a wider liberalization of the German model other sectors of society have not been exposed to changes of the magnitude the long-term unemployed have been subject to, hence our moniker “neo-liberalism in one class”³⁷. The exceptional character of the episode is nonetheless enlightening. The elite-level coordinative activation discourse was “ensilaged” around the Bertelsman group, which serve to “pickle” rather than “desiccate”, ideas that had been around at least since the Lambsdorff paper about long term unemployment as social delinquency rather than market failure. The Hartz Commission then emerged as both a way to mimic an authoritative policymaking process and a mechanism to alter system-constitutive perceptions about policy through discourses about Reformstau, anti-social unemployment and personal responsibility.

V. Conclusion

As governments begin to wrestle with the mass unemployment that has returned in the wake of the 2008-9 economic crisis addressing the puzzle with which this article started takes on added import. We have 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 as the Irish political economy reverted to type after 2000. It was 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” single-actor 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. In Germany and Britain a government-privileged advocacy coalition succeeded in inducing a much more stringent policy outcome than might otherwise have been predicted. 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 gain acquiescence.

Labor market policy outcomes are determined by the pattern of elite-level and legitimation discourses: where elite-level discourses are reflexive and the legitimation discourses are coterminous with these elite-level discourses the result is enabling activation; where elite-level discourses are ensilaged and where the legitimation discourses are didactic the result is mandatory activation. The prevailing political-economic architecture of different national cases predisposes countries to particular patterns of discourse. However, this architecture is not immutable. Novel institutional mechanisms in a policy area can reorder patterns of discourse. The Irish and German cases demonstrate how this malleability can bring about strikingly path-deviant change.

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Endnotes

¹ The analogy from agriculture is that “ensilaged” policy reform seals it off from elements (the oxygen of widespread debate) that would rot it at an early stage. Ensilaging preserves the product but it also chemically alters it: “pickled” fodder rather than desiccated “hay”. The authors have roots in Connaught sheep country respectively and Schleswig cow country, excuse the agricultural analogy.

² 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.

³ Boyle (2005) is based on 47 elite-level interviews conducted in 2003-4.

⁴ “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.

⁵ Boyle and Schünemann present primary discourse analysis on 45 documents for the German case covering two key windows: the February-December 2002 period in which the Hartz initiative was launched and the March-December 2003 window in which the initiative was enacted..

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 New Member States of the EU in 2004 were under heavy influence from the World Bank and the IMF, whose policy advice comprised a yet more aggressive neo-liberal variant.

⁸ 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).

⁹ Our term, not Schmidt’s. .

¹⁰ The Rehn-Meidner model.

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), and liberal (voluntarist) welfare state values.

¹² Positive activation viewed normatively as “freedom to act” in contrast to “freedom from want”.

¹³ For a good discussion of the two dimensions of activation see W. Eichhorst and R Konle-Seidle (2008). They use “demanding” and “enabling” as labels, we prefer mandatory instead of demanding, but the German *Fordern* is perhaps better still.

¹⁴ It has been reported that implementation of the policy has been somewhat coercive (Mabbett, 2009).

¹⁵ “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).

¹⁶ The MSC was the national labor market agency, a social partnership organization. “Rhenish” was (a) a preferred euphemism for “German” and (b) alluded to features the other EEC 6.

¹⁷ Kay Stratton , 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.

¹⁸ 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.

¹⁹ "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*.

²⁰ 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.

²¹ Introduced by then Minister for Labour Bertie Ahern, (building on the work of his predecessor Ruairi Quinn who drafted the September 1986 White Paper on Manpower Policy.

²² Dermot McCarthy as director of the National Economic and Social Council (NESC) played an important role in its initial formation and since 1993 as the senior official in the Department of the Taoiseach he has been the government's key interlocutor with the social partners.

²³ 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.

²⁴ OECD (2003), *Employment Outlook* (OECD; Paris 2003). Of those 1.8 million native Irish in employment in 2004 well over half had participated in FÁS training and/or employment programs.

²⁵ 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..

²⁶ 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

²⁷ 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 progressive wing that has always sought to cultivate cooperation with unions would be more accurate.

²⁸ Irish clientelism is a self-abasing sort in which clients view patrons as beholden to them, not vice versa.

²⁹ Boyle (2005) dubbed FAS the Irish state's Swiss Army Knife - noted for performing myriad functions, none of them well. Participation on CE peaked at 5% of the workforce in the mid 1990's, 3% in the late 1990's and fell to 1% for 2000-2008 (OECD, 2009:136).

³⁰ Activation via FÁS remained light and entirely voluntary. 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

³¹ Der Spiegel showed the country as a strangulated tree, Der Spiegel (39) 2002 (21.09.2002).

³² The CDU had close ties to unions as well as SPD politicians to business. (CDU → CDA; SPD → AFA and Trade Union Council)

³³ The 2002 Bertelsmann *Positionspapier* was the crucial document.

³⁴ The Federal Audit Court checked the placement statistics of 5 employment offices with the result that over 70% of booked placements were wrongly accounted (Handelsblatt vom 6.2.2002).

³⁵ There were several explanations for Schröder's victory, Hartz was just one factor.

³⁶ Hartz III started in January 2004, the *Bundesanstalt für Arbeit* refounded as *Bundesagentur für Arbeit*.

³⁷ A play on the accusation that social democracy in Scandinavia represented “socialism in one class”, a play in term on the Stalinist “socialism in one state” slogan.