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# Big Reform with Little Effect? Labour Market and Employment Policy in Germany



This paper was developed within the project “The Impact of EU Enlargement on European Integration and the Global Political Economy” that the C·A·P jointly conducts with the Centre for European Studies at the Renmin University of China. The project is supported by the European Commission in the framework of the EU-China European Studies Centres Programme. The authors thank Yvonne Oexle, Dorian Woods, Christine Brickenstein and Mathias Gabel for their support and helpful annotations.

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## **Abstract:**

German politics has been busy with the problem of continuous mass unemployment in recent years. Especially with the change of the government in 1998 some reforms have been established. Significant for the new drive were the results of the so called “Hartz-commission”. Just before the Bundestag elections in autumn 2002, the commission presented their results whereon the Federal Government promised a speedy implementation. With the law packages Hartz I to IV this has also been realised, but with hardly any success in the beginning: the unemployment rate did not considerably decrease, the costs “ran out of the rudder”, more and more implementation deficits appeared. What happened? How can the dialectics of the big plans on the paper and the small results in practice, i.e. “the successful failure” (Seibel 1991) be explained?

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## 1. Introduction and questions

German politics has been busy with the problem of continuous mass unemployment in recent years. After reunification – after a phase of the “pragmatic activism” – the way to a “welfare job market policy” opened; at the same time, steps into the direction of liberalisation and modernisation of the job exchange as well as a deregulation of the employment laws occurred. (Schmuhl 2003: 654ff, Heinelt/Weck 1998, Blancke/Schmid 2003). With the change of the government in 1998 some reforms have been established, but the reform of the employment support and employment administration follows the mapped structures of the previous liberal-conservative government. (Schmuhl 2003: 591) In spite of some activities in the beginning, the government’s enthusiasm of the reforms flagged quickly and only because of the placing affair of the Federal Employment Office (Bundesanstalt für Arbeit) a “window of opportunity” (Kingdon 1995) for reforms was opened again.

Significant for the new drive were the results of the commission “modern services for the labour market”, the “Hartz-commission”, named after their chairman Peter Hartz. Just before the Bundestag elections in autumn 2002, the commission presented their results whereon the Federal Government promised a speedy implementation. With the law packages Hartz I to IV this has also been realised, but with hardly any success in the beginning: the unemployment rate did not considerably decrease, the costs “ran out of the rudder”, more and more implementation deficits appeared. Especially Hartz IV is reckoned to be the reason for the break with the traditional German welfare state: The changes in the instruments of active and passive labour market policies and the implications of this for the political economy, the governance and the legal structure of a “Bismarckian” welfare state with its status- and occupation-oriented unemployment benefit regime. The duration of unemployment insurance benefits is much shorter now, and newly created basic income support for needy persons is not earnings-related anymore. Pressure on unemployed to take up jobs has increased considerably while more people than before have access to employment assistance. Changes that led to considerable political protests of the population, especially the unions, and even to the awakening of a new left wing party, formed out of the PDS and former members of the SPD. Eventually the political power shifts and operation restrictions, which not only but strongly relate to the disappointing situation on the labour market, led to the call for advanced re-elections on September 18, 2005 by Chancellor Schröder.

What happened? How can the dialectics of the big plans on the paper and the small results in practice, i.e. “the successful failure” (Seibel 1991) be explained?

In this article the report of the commission and the following legislation shall shortly be described. After that three different interpretations will be presented:

- Theory of limited reform possibilities in the “semi-sovereign state” (Katzenstein), which concentrates above all on the political-institutional restrictions of political decisions;
- Theory of administrative control- and implementation deficits (incl. fiscal consequences) that especially refers to the “conflict” between the model of a loyal, efficient bureaucracy on one hand and an “organised anarchy” on the other hand.
- Theory of a change of the welfare state model and the related disbanding of the political and normative legitimization fundamentals of the government policy.

In short: It is a matter of decision-, implementation and justice deficits, which can absolutely arise in all combinations and relate to each other.<sup>2</sup> However, first there should be looked at the problem situation that means the development of the labour market and its single sections.

## 2. Unemployment: development and structure

Since the end of the seventies the number of unemployed has increased steadily and has been tripled in the course of the last twenty years.

At the end of the year 2005 – after the Bundestag elections – the unemployment rate reached the highest level (of 13%). It is noticeably that the unemployment rate has been consolidated on an increasing level and the base unemployment rate after the recession years 1974/75, 1981/82, 1993 and 2001 could not be reduced even after a following economic pick-up.

Also the arising massive transformation processes of the economy in Eastern Germany resulting of the German Unification could not be reviewed as accomplished until now, because of their average unemployment rates of around 20% (compare Friedrich/Wiedemeyer 1998). Thereby the social consequences were attenuated by substantial social transfers – Hemerijck u.a. (2000) calls this “Welfare without work”. In turn, this has ambivalent effects on growth and employment, as according impact through contributions, taxes and deficits of the public authorities have to be offset against the mitigation of social rigidity and the stabilisation of the demand (compare Schmid 2005a).

The fact that not enough jobs have been created, no matter which government constellation Germany had over the last 20 years, bears mainly two reasons:

- the deficits of the accomplishment of macro-economic problems, above all the realisation of a continuous economic growth rate as well as
- the deficient reactions of the structure change in the economy and the employment system respectively the lacking reforms of social security and the employment law.

However, the capacities of the labour market policy (in its actual sense) are limited, because basically it is about economy- and social policy.<sup>3</sup> Their effective potential is clearly and fairly judged, if not only the aggregates, but also the problematic groups (cases) at the job market were considered.

Thereby three central deficits, i.e. problem areas for Germany, have been named: on one hand the female labour force participation has been slightly increased in the past years, but it is still in the middle field of the EU – and therewith remarkable under the Scandinavian countries.<sup>4</sup> On the other hand older employees are major victims of the labour market and the “youth craze” (ageism) of the staffing policy of the companies – with according negative trade-offs for the pension plans (politics) (Trampusch 2003, Schmid 2005b, FES 2006). In all, long-term unemployed people’s chances of employment are low. Besides individual related factors, there are bad qualifications as well. At the same time all prognoses for the next years expect a

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<sup>2</sup> This argumentation is very close to Habermas’ considerations of crisis (1973/1979). After this theory a crisis starts with troubles of the integration of the system, and then also affects the social integration. The sequence is from the economic crisis to the crisis of rationality and from the political control crisis to the crisis of motivation and legitimation respectively.

<sup>3</sup> For the empiric acquired effects and deficits of the labour market policy compare Konle-Seidl 2005.

<sup>4</sup> At the moment the realised labour force participation rates of woman are about 75% in these countries – however they are under laid by the long term forecasts of the economic and social policy; compare with the pension policy extrapolation of the Rürup-Commission. This proves the relevance of a successful coping with the deficits on the labour market for the general development of the German welfare state.

further decrease of the demand of low qualified manpower, so the situation in this segment may get worse. A further aspect which has been prominent for the last years' development of the job market is the increase of precarious working labour conditions, all in all resulting in a considerable danger of exclusion (outsiders) – with massive consequences for the social situation of the concerned people.

### **3. Labour market and employment policy: strategies and instruments in discussion**

Labour market and employment policy are not only a controversial political issue; also different new solutions are propagated within the scientific community and also the parlance is non-uniform. In this article we talk about labour market policy when measures and instruments

- direct to the creation of the labour markets and their framework (labour market regulation) and/or when
- manpower supply and demand should be balanced on a quantitative and qualitative basis; for example through job exchange, mentoring and consulting, labour cost benefits, qualification as well as the support of business-start-ups and job-related mobility (active labour market policy) and/or if
- through salary compensations (Lohnersatzleistungen) living conditions will be secured (passive i.e. compensative labour market policy).

Employment policy aims for a total standard of the employment and uses those measures, which increase the employment rate as well as the regional and sectoral employment structure through economy- and growth supporting instruments. The legal basis of the labour market policy is the Third Book of the Social Security Code for employment promotion (SGB III) with the Bundesagentur für Arbeit as responsible authority.

Different strategies for the removal of mass unemployment and promotion of employment have been discussed during the red-green coalition.<sup>5</sup> It can be roughly divided between the following four employment policies, and discourses:

- demand side - oriented governance (Keynesianism) of the left parties
- supply-side economic policy – of the conservative parties and the employees
- Measures of the active job market policy which is supported by the parties of the centre and a corporate network
- Activation and Employability, which can be connected with the modernisation wing of the SPD and is highly supported by some scientists and the EU (compare Blancke u.a. 2000: 6ff, Friedrich/Wiedemeyer 1998, G. Schmid 1998).

The demand-side oriented governance based on the Keynesianism, which became less important after the withdrawal of Lafontaine, targets the activation of the domestic demand through arrangements by the state in order to activate the economy like investment subsidies, tax cutting etc., which are normally financed through deficit-spending. In view of the budget situation and the reached deficit financing of over 60% of the GDP (BIP) this comes across

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<sup>5</sup> The controversy not only points at the absence of a solution strategy that is capable of winning a majority, but also at different perceptions of the causes of the problem and at the actors who are involved in solving the problem.

considerable fiscal opposition. At the same time an implementation of a Keynesian demand-side strategy has to face massive institutional restrictions: The European Central Bank is autonomous with regard to their monetary policy and orientates itself – like the Bundesbank in former times – more at the target of price stability than at labour market policy objectives.

Currently supply-side strategies of employment and economic policy are stronger observed. Here is the creation of better basic conditions for production and investments in the foreground, what leads to higher investments and increase in production and finally – according to the theorem of Say – to incomes which are achieved by the production and generates its demand automatically. At the same time it is assumed that higher corporate profits lead automatically to higher investments, what stimulates the production and in turn the demand and therewith creates employment.

Central requirements are a reserved wage policy of the Unions, the decrease of national insurance contributions and taxes as well as a deregulation of the labour market and the phase-out of investment constraints. This is politically combated by the Unions and the left winger, additionally, with regard to the globalisation a socio-political “race-to-the-bottom” (Scharpf 1987: 531, Schmid/Rehm 2003) as well as a weakening of the infrastructure of the country is imminent.<sup>6</sup>

The active labour market policy<sup>7</sup>, for which around 1% of the GDP are spent and which is implemented by the Bundesanstalt/Bundesagentur (BA) (Konle-Seidl 2005: 6), has mainly the target to adapt unemployment people to the changed conditions in structure, to supply the market with qualified human capital and to anticipate the change in structure and for example to absorb this through qualification measures or consultancy.

At the same time it should serve the redistribution of unemployment risks (for the benefit of the unemployed and problematic groups). With regard to the absent success, i.e. bad performance at the labour market, the active labour market policy has been critically regarded and part of its instruments has been proved as little effective (i.e. Konle-Seidl 2005, Caliendo/Steiner 2005). That way the lacking marketability of the measures (especially the employment-creature measures), the weak connection of the measures with the regional and communal development programs, the weak connection of the educational training to the actual needs of the employees and the administrative advancement procedure are found fault.

Due to Germany’s institutional setting two mechanisms were added which has negative impacts on the active labour market policies. On one hand the finance mode plays an important role, because measures of the active and passive labour market policy are financed by the budget of the BA. In case of high unemployment there is only little financial space for active measures because the compensation payments (unemployment compensation) consume already the biggest part of the budget what led to a pro-cyclical activity. This classic (cyclical) mechanism has to be supplemented, because of the continuing unemployment after the German Unity especially in Eastern Germany a raise of funds for active measures have been

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<sup>6</sup> At the same time this is the basis for political party differences, because a supply-side policy from the left mainly improves the human capital, whereas a supply-side policy from the right focuses on the companies (Boix 1997).

<sup>7</sup> According to Esping-Andersen Germany has the reputation as a conservative and passive welfare-state with elaborated and reticulated schemes of status-protecting income replacement through social insurance in case of unemployment and a full-blown system of active labour market policies. However all benefit systems had formal elements of activation and work requirements – “but they had not been enforced systematically.” (Konle-Seidl et al. 2007, 6)

carried out. But looking at this structurally they still were too low. Moreover, within the Hartz-Reforms considerable changes took effect, which in turn led to a decline of the active-passive relation, as the funds for active measures have been decreased from 31 BN Euro (2002) to 20 BN Euro (2005).<sup>8</sup> There are clear manifestations that in the German federalism exists the tendency to a regional balanced appropriation of resources and between the problem pressure and the diversification of the BA there is no appreciable statistical connection. Apparently, in the opposite direction to the problem-oriented distribution mode of the funds of active labour market policy a counter tendency of proportional allocation has been established which benefits the prospered countries and regions (compare detailed Schmid and others 2004).

Since the end of the nineties, starting with the job-active law of the first red-green coalition, activation and employability create another strategy bundle which aim at the increase of the labour force participation- and employment rate through political measures. On the other hand it is meant, the principle of “demanding and promoting”, i.e. that the right for receiving welfare benefits (basically or beyond a certain time period or level) is connected to the condition of an active job hunting, according to defined criteria, the participation in (qualification) measures and/or the acceptance of a subsidized job in the low wage sector (i.e. one Euro Job)<sup>9</sup>. The practical enforcement of rights and duties is therefore the core element of the Hartz reforms. With the aim of the increase of the labour force participation rate passive recipients receiving welfare benefits shall change to active employees (Schmuhl 2003, Blancke/Schmid 2003). With the partly linking of the civil right of receiving welfare benefits to secure minimum collateral to gainful employment which is respected as a civil duty the activation concept goes above a traditional welfare focused on gainfully employed. As a matter of fact it is featured in the direction of impact through a “Re-Commodification” and requires an amendatory infrastructure as like for the child care. Moreover, this new strategy of the labour market policy stirs up considerable changes of the corporate-administrative implementation network, as here more flexibility and individual “Case Management” are required.

With the close connected concept of employability an innovative labour market strategy is addressed (compare Blancke and others 2000, see as well G. Schmidt 1998), which comes from the Anglo-Saxon area and has been taken up by the EU within a common coordinated employment strategy. It is about lifelong learning, flexibility and the willingness to turn away from a “normal employment contract” (i.e. regular, unlimited employment contracts with a company and lifelong employment in one profession). Learning shall be understood as a permanent process, where the individual, the companies and the state are likewise responsible. With this, an extensive change is connected, as qualification shall be accessed, utilized and re-produced. In Germany qualification is being regarded traditionally in the institutional way of occupation and maybe in second line within the context of the operational organization. Both are mechanism which are set in a continuous sense and are highly connected to valid law having their positive aspects because they are well calculable and mean a relatively high reliability for all parties involved. However, with the concept of “employability” there is a much stronger market and flexible orientation connected. As an individual it is necessary to create his or her own qualification according to the market necessities. This activation strategy must not be interpreted obligatory as neo-liberal policy. “From a life chances point of view the task is within granting the possibilities of social mobility. And this in turn requires

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<sup>8</sup> Parts of the Federal Employment Office are now financed by the federal budget and there have been changes in the use of instruments. The consequence is that data can't be compared with a longitudinal analysis anymore. Estimates have shown that in 2002 the proportion of active and passive was 1:3. Now the proportion is 1:5.

<sup>9</sup> This concept can also be used as an analytic slide for the “Agenda 2010“ (see below).

that the young people of the society have to be obligatory equipped with adequate skills“ (Esping-Andersen 2003, see as well Schmid 2005c). With the aim “employment for everybody” – what means an increase of an activity rate of 50% to over 80% in Germany – in addition a radicalisation of the former thought of full employment and a socio-political change takes place. The labour policy in the past aimed mainly to relatively well-qualified men (as bread-earner of the family – what has been criticized according to a feministic point of view) however, now all people, which may work partly and do simple work, are the “target group” and not predominantly the unionized core staff.

#### **4. The reform proposals of the Hartz-commission with regard to legislation and implementation**

The implementation of an activating strategy in Germany is centrally connected with the proposals of the commission “modern services at the labour market”, which presented their results on 16. August 2002 (compare Blancke/Schmid 2003, Schmuhl 2003, Weimar 2004)<sup>10</sup>. Particularly the problem of long-term unemployment shall be sustainable antagonized what shall help the people concerned but as well the tax payers and contributors because new employment creates income and decreases (ancillary labour-)costs.<sup>11</sup> With the four laws for modern services at the labour market, the labour administration and the employment agency are fundamentally reorganized in order to enhance their results basically. Yes, there is the saying of “Time change at the labour market” (Zeitenwende am Arbeitsmarkt) (Zimmermann 2005: 9, s.a. Mohr 2004, Clasen 2004). Especially the Bundesagentur für Arbeit shall become a customer-oriented, modern service provider at the labour market. The coexistence of two benefits – unemployment benefit and welfare aid – for permanently unemployed persons has being stopped and replaced by a uniform and basic social care. In detail it is about:

##### *Legislation according to the proposals by the Hartz-Commission*

|  |  |
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| First law for modern services at the labour market (Hartz I)   | Establishment of so called “Personal-Service-Agenturen” all over the country;<br>Reform of the German Law on Temporary Employment and Labour Leasing;<br>Changes of the right to social benefits (“Leistungsrecht”) (Omission of the automatic cost-of-living adjustment, transition to flexible off-times (“Sperrzeiten”), moderate accentuation of the reasonability);<br>Introduction of training vouchers. |
| Second law for modern services at the labour market (Hartz II) | Benefits for business start-ups (Ich-AG) <sup>12</sup> ;<br>Reform of the minor employment relationships (Mini-  |

<sup>10</sup> Of course this is not a “continuation of the failed ‘Bündnis für Arbeit’ with other means” (Egle 2006: 178), but rather an effort to circumvent the deadlocked interest driven strategies.

<sup>11</sup> Although unemployment is defined in a different way: From now on a person is employable, when he or she is able to work for three hours a day. In this manner many welfare recipients are redefined to unemployed persons – at the same time the costs are higher as calculated (Informationen aus Wirtschaft und Arbeit 2/2005).

<sup>12</sup> Bridge money is added to the support for founders of a new business (§ 4211 SGB III). This bridge money is a declining subvention for former recipients of unemployment benefit and unemployment support or for employees in employment-creation measures and structural adjustment measures that are starting self-employment. The subsidy is about 600 €in the first year, about 360 €in the second year and about 240 €in the third year. The supported founders of a new business are obligated members in the social pension programme and have the possibility to join the compulsory health insurance on a voluntary basis, where they pay less contributions than other self-employed persons.



|   |  |
|---|--|
|   | Job) <sup>13</sup> ;<br>Promotion of services related to the households<br>(“haushaltsnaher Dienstleistungen”);<br>Preparations for the institution of the so called „Job-<br>Center“ as joint office of employment centre and the<br>institution of the social welfare;<br>Reorganisation of the BA with the intention to boost<br>the service character (among other things symbolic<br>renaming of the „Bundesagentur für Arbeit” as well as<br>changes and constraints in her self-administration);<br>Simplification of the right to social benefits<br>(“Leistungsrecht”) in the unemployment insurance<br>(e.g. by uniform entitlement, simplified calculation of<br>the unemployment benefits);<br>Restructuring and simplification for using the labour-<br>market instruments. <sup>14</sup> |
| Third law for modern services at the labour market<br>(Hartz III) | Reform of the „Bundesanstalt für Arbeit“;<br>Changes in the partial retirement.  |
| Fourth law for modern services at the labour market<br>(Hartz IV) | Combination of the unemployment benefit and social<br>welfare, „Arbeitslosengeld 2”. <sup>15</sup>   |

With this – according to the evaluation of Jann and G. Schmid (2004: 17) in their interim result – 2/3<sup>rd</sup>s of the proposals have been realised by the commission, yes, actually they have been reinforced politically by the “Agenda 2010” and the staff change within the government – particularly the call of Wolfgang Clement as Super Minister for economy and labour – set clear reform signals. However, the different legislation activities (see as well the overview) have caused a series of proceedings within the red-green coalition as well as between Bundestag and Bundesrat. For example regarding Hartz II (in December 2002) the rules for subsidized Mini-Jobs and for wages below the agreed level (untertarifliche Entlohnung) of temporary workers were contested.

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<sup>13</sup> After the reorganisation of the Minijobs, the employer has to pay a fixed rate to the amount of 25% (12% annuity insurance, 11% health insurance and 2% lump-sum tax) for jobs that have a compensation of 400 € This includes a relief of social insurance of the compensation for the employees.

<sup>14</sup> After the reform of the Hartz-laws the government also realigned the business policy of the Federal Employment Office and furthermore tried to realise the savings target. As a consequence there was a great decline of the “old“ labour market policy instruments, a decline of the support of the professional training and a decline of the employment producing measures (ABM and SAM) in the year 2003 compared to the previous year, especially in Eastern Germany.

<sup>15</sup> The effect of the amalgamation was that the unemployment aid that was until then financed by the Federal Government was paid after the run out of the unemployment aid and also was calculated from the unemployment aid, was reduced to the lower level of the previous social benefits. The aim of the basic care for job hunters is to overcome the need of help as fast as possible. Therefore integration benefits have been introduced whose core element is a care concept that pays attention to the individual problem situation of each person.

*The Old and New Benefit system (Source: Konle-Seidl et al. 2007, 11)*

| Old System (until 2004)  | New System (2005 -)  |
|--|--|
| <i>Arbeitslosengeld</i> (unemployment insurance benefit): funded through contributions, earnings-related, limited duration         | <i>Arbeitslosengeld I (UB I)</i> : funded through contributions, earnings-related, limited duration  |
| <i>Arbeitslosenhilfe</i> (earnings-related unemployment assistance): tax-funded, earnings-related, means-tested, infinite duration | <i>Grundsicherung (Basic income scheme for needy jobseeker/ SGB II)</i><br>Consisting of<br>a) <i>Arbeitslosengeld II (UB II)</i> : tax-funded, means-tested, flat rate, after expiry of UB I (and temporary supplement), infinite duration (integration of "Arbeitslosenhilfe" and "Sozialhilfe" for people capable of working ) but stronger principle of activation<br>b) <i>Sozialgeld</i> (social allowance) for kids below the working age of 15 living in a household of an UB II recipient |
| <i>Sozialhilfe</i> (social assistance): tax-funded, means-tested, flat rate, infinite duration                                     | <i>Social assistance</i> : means-tested, tax-funded, flat rate, infinite duration (SGB XII)<br>Consisting of<br>• <i>Grundsicherung für Erwerbsgeminderte und im Alter</i> :<br>for those working age people above 18 years permanently not capable of working and for needy persons above 65 years<br>• <i>Hilfe zum Lebensunterhalt</i><br>Help to overcome special situations in life (illness, care etc)   |

In July 2004 again arose difference regarding Hartz IV; for the CDU Prime Ministers of the states two requirements were important: the participation of the counties and cities (Kommunen) at the employment services through "Experimentierklausel" as well as higher payments of the federal state with regard to the costs of accommodation and heating of the Accommodation Allowance Beneficiaries (ALG 2). However, there have been found compromises by the Mediation Committee after difficult Bargaining-Processes (compare to the institutional and procedural aspects in general Beyme 1997). Trampusch (2005; 79) interprets this actually as "Informal Big Coalition" in the labour market policy, what can only be considered as for the formal side with regard to the ongoing differences in the labour market political strategies.

The agenda-setting started after the beginning of the second Schröder administration to a large extent through the government and the chancellery and with low participation of ministerial accounts, parties and fraction. Paradigmatic is the Agenda 2010, which was presented in March 2003 by the government policy statement "To take courage for freedom and to take courage for changes" of chancellor Schroeder in the Bundestag. With the Agenda 2010 the Federal Government set a target for creating the basic conditions for more growth and employment and to ensure a stable welfare state. Until 2010 these targets will be basically reached. Here the labour market reforms are integrated in a wider social- and socio-political context and parts of the "Rürup-Commission" have been realised. Ongoing criticism regarding this strategy of the activating labour market policy has been especially referred to the considerable cuts connected with the decisions in the field of labour market, health and pension.<sup>16</sup> Particularly within the SPD there was a strong head wind from the Unions, the

<sup>16</sup> Part of these measures are the liberalisation of handcraft rules (Handwerksordnung), the reduction of benefits that are included in the insurance, the introduction of a sustainability factor in the pension insurance, the deletion of benefits of the compulsory health insurance, the introduction of a 10 €surgery fee and the reduction of the highest tax rate.

social alliances and the SPD left-wing members, which became manifest in member leavings (2003: approx. 100.000), the first member protests of the SPD and the debates of founding a new left-wing party (which happened meanwhile). On 1<sup>st</sup> of June 2003 the SPD held a special party conference, where –under the pressure of the resign threat of the chancellor still 90% of the delegates voted for the Agenda 2010. At the end Schröder gave the party chairmanship over to Franz Müntefering (see as well Egle 2006: 195f).

### *German Labour Market Policy 2002-2005*

2002

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|----------------|---|
| 1. January     | Parts of the Job-Active-law came into force<br>Without obligation of agreement<br>Law from 10.12.2001 [BGBl I, Nr. 66, S. 3443]   |
| 22. February   | Assignment of the Hartz-Commission  |
| 6. March       | Constitution of the Hartz-Commission  |
| 23. March      | Law for the simplification of the election of the labour representatives into the directorate<br>Without obligation of agreement<br>Coming into force 27.3.2002 [BGBl, Nr. 20, S. 1130]   |
| 16./17. August | Final report of the Hartz-Commission  |
| 22. September  | Election victory of the Red-Green Coalition   |
| 9. Oktober     | <b>Coalition negotiations</b><br>Agreement to completely implement the Hartz-Concept.   |
| 29. Oktober    | Government declaration to the topic of Hartz  |
| 1. November    | <b>„Capital for jobs“ / „Job Floater“ comes into force</b><br>The Hartz-Commission presents a subvention programme, proposed by the Reconstruction Loan Cooperation, with the aim to create new jobs.   |
| 15. November   | Lower House of Parliament: Adoption of the first law for modern services at the labour market (Hartz I)<br>Without obligation of agreement<br><br><b>Lower House of Parliament: Adoption of the second law for modern services at the labour market (Hartz II)</b><br>Obligation of agreement |
| 29. November   | Because of Hartz I and Hartz II the Bundesrat calls the Mediation Committee   |
| 23. December   | First law for modern services at the labour market (Hartz I)<br>Coming into force: 1.1.2003, 1.5.2003, 1.7.2003 [BGBl, Nr. 87, S. 4607]   |
|                | Second law for modern services at the labour market (Hartz II)<br>Coming into force between 1.1.2003 and 1.1.2006<br>[BGBl, Nr. 87, S. 4621]  |

2003

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|------------------|---|
| 1. January       | Huge parts of Hartz I and Hartz II are coming into force  |
| 14. March        | Government declaration concerning the Agenda 2010   |
| 28. April        | SPD-lace approves the Agenda 2010   |
| 21. May          | <b>Regional Conference of the SPD in Potsdam</b><br>On all regional conferences (Bonn, Nürnberg, Hamburg, Potsdam) the „Agenda 2010“ receives more support than rejection.      |
| 14./15. June     | 90% affirmation for the „Agenda 2010“ on the conference for delegates at federal level of the Bündnis 90/Die Grünen   |
| 26. September    | Lower House of Parliament: Adoption of the law for reforms at the labour market<br>Without obligation of agreement  |
| 17. Oktober      | Lower House of Parliament: Adoption of the third law for modern services at the labour market (Hartz III)<br>Without obligation of agreement                                    |
|                  | <b>Lower House of Parliament: Adoption of the fourth law for modern services at the labour market (Hartz IV)</b><br>Obligation of agreement                                     |
| 7. November      | Because of Hartz IV the Lower House of Parliament calls the Mediation Committee.  |
| 10. November     | The SPD chairmanship enacts the educational charges   |
| 14./15. December | Important round in the conciliation proceedings between the Lower House of Parliament and the Bundesrat concerning Hartz IV   |
| 23. December     | Third law for modern services at the labour market (Hartz III)<br>Coming into force between 1.1.2004 and 1.2.2006<br>[BGBl, Nr. 65, S. 2848]                                    |
| 24. December     | Fourth law for modern services at the labour market (Hartz IV)<br>Coming into force between 1.1.2004 and 1.4.2004 and 1.1.2005<br>[BGBl, Nr. 66, S. 2954]                       |
|                  | <b>Law for reforms at the labour market</b><br>Coming into force 1.1.2004<br>Without obligation of agreement [BGBl I, Nr. 67, S. 3002]  |
|                  | Law for the modification of the handcraft system and for the subvention of small companies<br>Obligation of agreement<br>Coming into force 30.12.2003 [BGBl I, Nr. 66, S. 2933] |
| 30. December     | The reorganisation of the handcraft system comes into force.  |
| <b>2004</b>      |   |
| 1. January       | Parts of Hartz III come into force<br><br>The law for reforms at the labour market becomes effective  |
| 1. February      | Müntefering (SPD) announces the educational charges   |
| 11. March        | Legislative initiative of the SPD fraction concerning the educational charges (“Berufsausbildungssicherungsgesetz”)   |

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|--------------|---|
| 25. March    | Government declaration: „First year Agenda 2010“  |
| 26. March    | The Federal States discharge the agreement on tariffs for the public service  |
| 1. April     | Lower House of Parliament: First reading of the draft law concerning the educational charges (“Berufsausbildungssicherungsgesetz“)<br>Obligation of agreement: as Lower House of Parliament no; as Bundesrat yes                              |
| 7. May       | Lower House of Parliament: Adoption of the “Berufsausbildungssicherungsgesetzes“  |
| 14. May      | Because of the unemployment benefit II the Bundesrat calls the conciliation committee<br>Obligation of agreement  |
| 18. May      | Second law for the simplification of the election of employee representatives into the directorate<br>Without obligation of agreement<br>Coming into force between 28.5.2004 and 1.7.2004 [BGBl I, Nr. 25, S. 974 / BGBl I, Nr. 57, S. 2769]  |
| 11. June     | Because of the “Berufsausbildungssicherungsgesetz“ the Bundesrat calls the Mediation Committee.   |
| 16. June     | <b>National Pact for education and the rising generation of specialists (educational compact) is signed</b><br>The self commitment of the economy is leading to the dismissal of the legislative procedure concerning the educational charges |
| 1. July      | Conciliation committee: Agreement concerning the unemployment compensation II   |
| 9. July      | Bundesrat: Rejection of the “Berufsausbildungssicherungsgesetzes“   |
| 23. July     | Law for the intense combat against illegal employment and tax dodging<br>Obligation of agreement<br>Coming into force 1.8.2004 [BGBl I, Nr. 39, S. 1842]  |
| 30. July     | Law for the optional sponsorship of the communes according to the second book of the Social Code<br>Obligation of agreement<br>Coming into force between 6.8.2004 and 1.1.2005 BGBl I, Nr. 41, S. 2014  |
| 11. August   | (coalition-)meeting in the chancellery: Hartz IV is being changed   |
| 19. November | Fourth law for modification of the third book of the Social Code and for the modification of other laws (Hartz IV changes)<br>Without obligation of agreement<br>Coming into force between 27.11.2004 and 1.2.2006 [BGBl I, Nr. 61, S. 2902]  |
| <b>2005</b>  |   |
| 1. January   | Important points of Hartz IV are coming into force  |
| 2. February  | For the first time more than five million people are unemployed   |
| 9. February  | <b>Reform of the tariffs in the public service</b> (Federal Republic/communes)  |
| 17. March    | Government declaration concerning reforms and the two years of „Agenda  |

2010“

**Job summit in the chancellery**

Meeting between the government and CDU/CSU

|               |  |
|---------------|--|
| 23. March     | Amendment of the law for occupational training<br>Obligation of agreement<br>Coming into force between 1.4.2005 and 1.4.2007 [BGBl I, Nr. 20, P. 931]  |
| 18. September | Election of the Lower House of Parliament  |
| 22. November  | European Court of Justice revokes the restriction of the dismissal protection for persons who are older than 52 years.<br>EuGH: C-144/04   |
| 22. November  | The Members of the German Bundestag elect Angela Merkel (CDU/CSU) as Germany's first female Federal Chancellor.<br><br>CDU/CSU and SPD form a "big coalition"  |
| 30. December  | First law for modification of the second book of the Social Code (SGB II)<br>Modification of § 46: reduction of the payments to the communes by the federal state.<br>Obligation of agreement<br>Coming into force on 31.12.2005 [BGBl I, Nr. 76, P. 3675] |

2006

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| 30. March    | Law for modification of the second book of the Social Code (SGB II);<br>Modification of ALG II; adjustment of the benefits for people in East Germany to the Western German rates<br>Obligation of agreement<br>Coming into force between 1.4.2006 and 1.1.2007.<br>[BGBl I, Nr. 14, P. 558]  |
| 25. July     | Law for the further development of ALG II (Hartz IV)<br>Modification and "improvement" of several Hartz IV-processes<br>Obligation of agreement<br>Coming into force between 1.1.2005 and 1.1.2007.<br>[BGBl I, Nr. 36, P. 1706]  |
| 28. December | Law for modification of the second book of the Social Code (SGB II)<br>Reduction of the communes' expenses (subventions for heating and living costs of ALG II recipients). That will lead to higher costs for the federal government: 4.3 BN Euro in 2007 (expected)<br>Obligation of agreement<br>Coming into force on 1.1.2007 [BGBl I, Nr. 65, P. 3376] |

2007

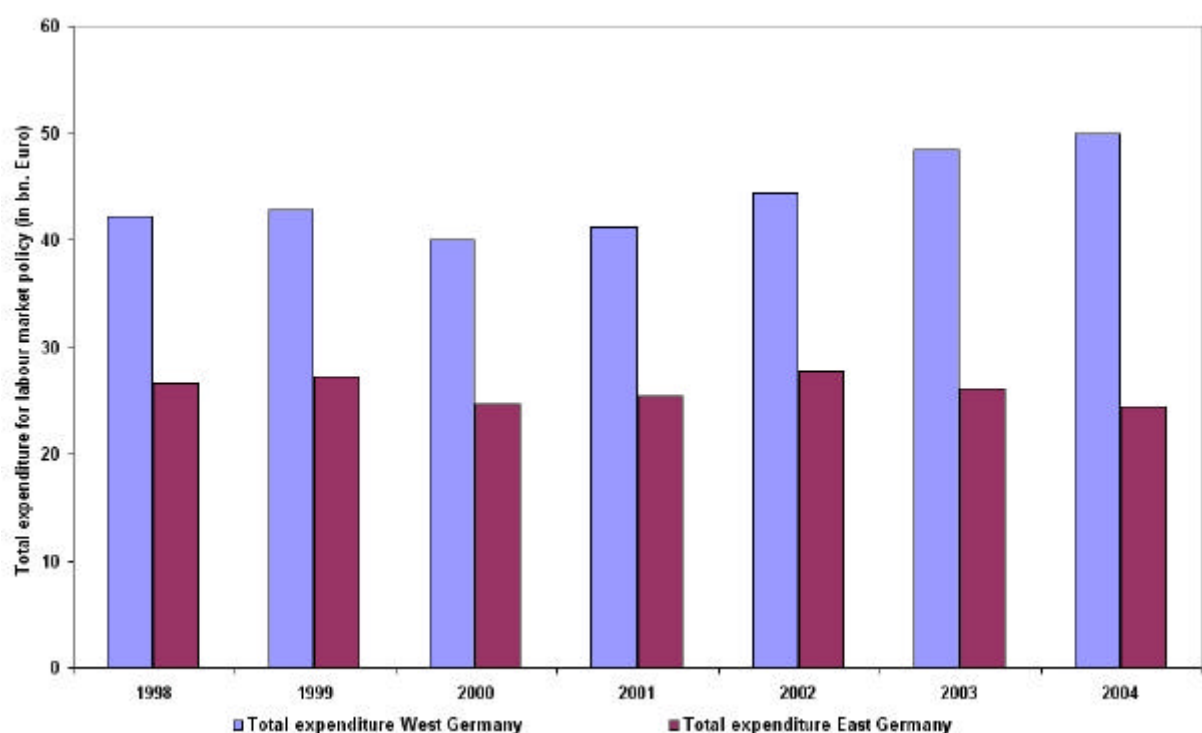
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|---------|--|
| 1. May  | Less than 4 million people are unemployed<br>In April 2007 the number of unemployed people was 3 967 000. In comparison to 2005 this is a reduction of 1,1 million people. There are 920.000 job vacancies to fill.  |
| 16. May | Although the development of the unemployment rate in Germany is positive, the BA is confronted by higher costs (1.5 BN Euro more than expected), due to the fact that especially the longterm unemployed do not profit very much by the growth of the German economy. Most of the "new jobs" are filled by ALG I recipients. |

Particularly with the “Hartz IV” emerged measures a critique public feedback and an opposition of the persons concerned arose. It became the symbol for a policy that was seen as a “break with the principle of the social insurance state of providing status-oriented benefits while imposing only limited demands on unemployed” (Konle-Seidl et al. 2007, 15). Since mid of 2004, many demonstrations in Germany took place, what was occasionally mentioned in the media as “Return of the Monday demonstrations”. The opposition was strongest in the Eastern part of Germany; there, long-term unemployed people could rely on relatively high and unlimited payments of unemployment assistance due to widespread full-time employment of both men and women in the former GDR. Hence, abolishing earnings-related benefits, replacing them with flat-rate benefits and introducing a stricter activation policy was perceived as a threat to individual well being in particular given the poor labour market perspectives in East Germany (Konle-Seidl et al. 2007). Especially the Unions criticize an exceeding burden of small and medium incomes, the threatening loss of the life standard for long-term unemployment (through the new unemployment benefit 2 (ALG 2) which is not any longer related to salary- or contribution) as well as the lack of encouragement proportionality to the enforced demand, yes, the penalizing of people who became unemployed through no fault of their own.

After all, for many observers the costs “ran out of the rudder”; what has to be regarded more differentiated. On one hand the costs for reorganization and investments of the BA are included, which occur temporarily only and which may even cause positive returns. Then again there are planning deficits meant resulting from wrong assumptions regarding the receivers; mainly because of the advancement of communities between spouses in need of welfare which caused higher expenses as planned. Further, this evaluation says that the cost and income developments are not predictable anymore, currently even unexpected surpluses arise.

*Development of expenses for labour market policy (according to Caliendo/Steiner 2005)*



In conclusion the considerable problems with regard to the reorganisation of the “Arbeitsämter” into job centers and the cooperation at regional level, flaccidities of the new

IT-systems, as well as a huge amount of central rules are being criticized. The continuing unclear relation between the BA and the States in this field of policy are added.

## 5. From a corporatistic Policy-Network to an informal – coupled anarchy?

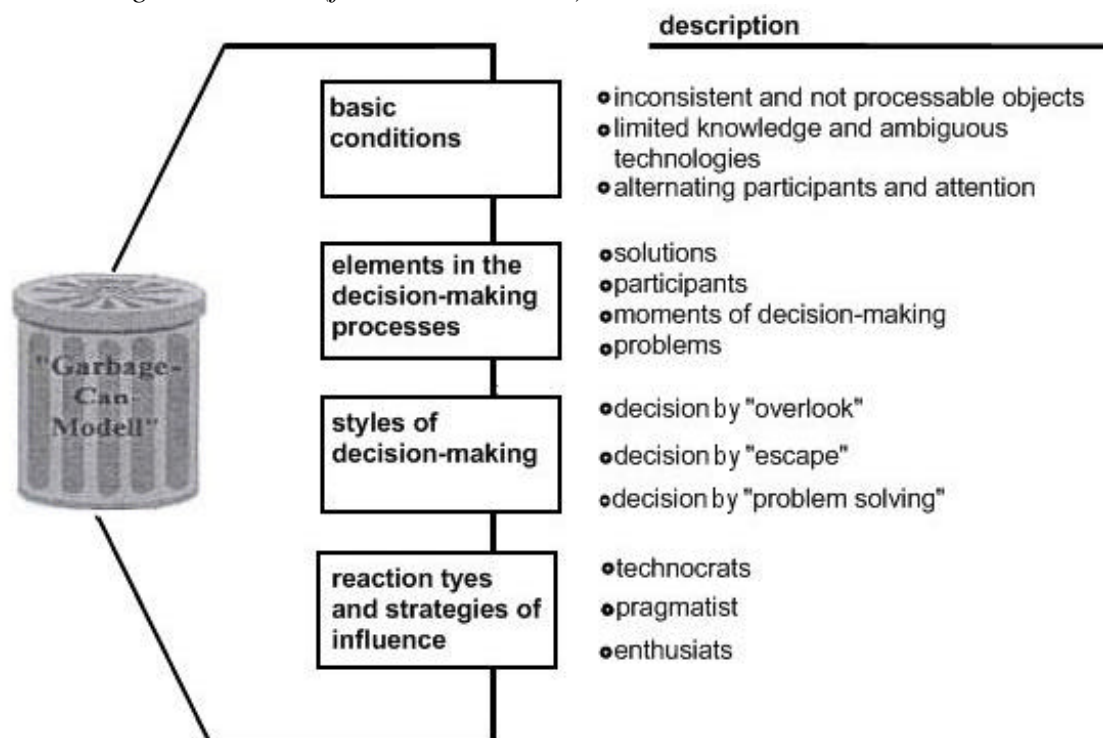
How can these big debates and manifold measures in the labour market policy be interpreted and how can they be explained concerning its “successful failure”? It means an organisation- and decision pathology, which is characterized by the fact that only an extensive symbolic solution can be found, what leads on one hand to the real problem and its insolubility which is being clouded with the chosen strategy and on the other hand further political pressure to act is unnecessary, as in the end measures have been taken (at least on the paper). The particularities of the successful failure mark – different to open failures – the reason that there is no penalty following, because feedback and learning impulses are omitted (Seibel 1991).

A similar reasoning is found in the Garbage Can Theorem. According to this all reasonably complex decision processes and problem solving are based on four “streams” extensively independent from each other, namely

- a) solutions, which look for the according problems,
- b) participants, looking for opportunities to play an important role in relevant decision making processes,
- c) situations which allow to make or claim for making decisions or close decision making processes and finally,
- d) problems waiting to be handled – irrespective of existent solutions, activists or opportunities.

These four elementary decision streams exist extensively independent from each other, their interactions highly depend on the situation and therefore are hardly predictable. (compare Jann/Wegrich 2003, see as well Weimar 2004).

*The Garbage Can Model (from Weimar 2004)*





In difficult situations like the Mediation Committee's negotiations of the Hartz-laws, the efficiency and effectiveness of compromises can not be clearly realized. This is because it is either not operational defined or there is just not enough time. This leads to results that show a lack of technical and administrative profundity and that above all have to be politically rationalized, what leads to the impression of a latent "big coalition" (Trampusch 2005) in the labour market policy.

The found consensus weighs so much the heavier, as the political options for actions in the "semi-sovereign state" (Katzenstein 1987, Helms 2003) are generally categorized rather small. As well the "Veto player theory" comes to a similar sceptic valuation with regard to the prospects for elementary reforms what the labour market policy of the past years is certainly about. Therefore M.G. Schmidt (2004) pointed out rightly the necessary supplement about the tradition of a "policy of the middle path"; according to this, there exists a consensus oriented style of politics within the social labour market policy and a closeness of both big parties. In this way the influence of the institutions and the governmental "Veto player" is not so significant (especially Bundesrat) because the consensual negotiation results are less institutional determined as they are more party political calculated.

The policy style and "important sectoral Governance institutions" have experienced important changes after the German Unity and especially in the era of Schröder: On one hand governmental interventions and a market plus are increasing to the account of corporatistic negotiation patterns between the state and organizations (Czada 2002). With this the increase of direct governmental interventions refers in a way to a "paradox of neo-liberal deregulation" – so it needs a strong state to achieve and maintain a free market. With this the place of socio political negotiating and bargaining patterns of the parties – to be precise: of the party leadership – moved; further the welfare state and the labour market policy has been made a matter of the government – "the Agenda 2010" stands for this exemplarily. (Trampusch 2005: 76, Meyer 2006).

On the other hand besides the dynamic of the policy-arena the personal style - the "personal handwriting" of the chancellor (Korte 2001) plays a role plus the compartmentation of demonstration and decision making policy, what is boosted by the media society, whereas good performed communication and policy management in public appearance has a strong impact. For many observers, Gerhard Schröder is said to be the first "chancellor of the media". In opposition to "going public" a process of "informalisation" (Korte 2001) – a shift to the policymaking by and within parties – of the governance is going on. Thereby the executive decision processes have moved in that way that the so called negative coordination of the bureaucratic policy has been compensated by informal overlapping and "bypass-methods" like for example the coalition task groups. Mostly the decision making processes follow this pattern: "Bargaining" of the political compromises on the basis of the work of the coalition task groups, in which experts of the fractions are participated, forwarding to the department in charge, formulating the draft – what in principle turns the classical way of legislation upside down (compare Korte 2001, see as well Beyme 1991 and König 1991). In an analogue way, if not even stronger, this is true for negotiations between prime ministers of the states and government representatives in the Bundesrat, which were characteristic for the most important elements of the Hartz reforms. Nevertheless it is essential "There is nothing stated about the success of the reforms with the reference to the tendency of authoritative acting." (Meyer 2006).

A similar deviation of the classical legislation process in federal and party state is true for the work of committees which have the task of being a “political mine tracking dog” and doing public relations besides their factual function as political consultants, in order to support the government. This applies especially to the Hartz Committee as they have shown their competence in communication in the way they presented their proposals.<sup>17</sup> All in all, these new forms of political decision making go in one direction: the primacy of policy becomes more important and is perceived by the heads of government and parties and is realized according to global calculations of coalition arithmetic, the grace of the public and the view to electorate majorities. The downside means loss of control profundity, implementation orientation and expert knowledge of the departments.<sup>18</sup>

This new style between making something a matter for the chancellor, the Bundesrat poker and coalition negotiations at night, is possibly an element of the administrative control- and implementation deficits which is showed just by the reforms of the labour market policy. Therefore political guidelines often end in talk or are adjusted to the established structures. Such implementation problems (see Mayntz 1980, Schnapp 2005) may arise because the addressees do not have the according qualification or motivation because the legislator has only incomplete knowledge about the specific field of administration and control or the problem is just too complex in general.<sup>19</sup> “Politicians have” – according to Schnapp (2005) – “in fact clear knowledge about target preferences, i.e. they know which material policy targets shall be reached. Often they have only loose ideas about which measures are appropriate to reach their targets”. Often there is a lack of knowledge of impacts, like for example the use of ALG 2 shows.

The BA – as an institution and as an agency – proves itself less as loyal and efficient bureaucracy according to the classical model of Weber, but as a labyrinth which can hardly be controlled with almost 90,000 employees, horizontal and vertical differentiated administration units and mixed Governance structures (modern management in Public-Private-Partnership Style, hierarchical administration and autonomy corporation).<sup>20</sup> The BA – from the organization culture point of view, is social law oriented – affected by placing and controlling individual services in the context of the passive labour market policy – what stands across the new activating strategies and the Hartz proposals.<sup>21</sup> Moreover, the BA has not enough or wrong manpower for these new activities and instruments like psychological sounded Profiling and Case Management which should have been operated by the Job Centers (according to Hartz II and III).<sup>22</sup>

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<sup>17</sup> The style of speech, the layout and the structure of the proposals departure from the traditional bureaucratic and academic prototype. For the intern dynamic of decision compare Weimar 2004, who focuses on anarchic moments and garbage can effects. Interestingly G. Schmid was the only expert for labour market policy in the commission and the participation of the social partners was notable low.

<sup>18</sup> A further weakening of the ‘super ministry’ for economy and labour is to add. This weakening is the result of difficulties in the fusion of two very different ‘houses’ and the distribution of the ministry to the two cities Bonn and Berlin.

<sup>19</sup> The problem of complexity demonstrates the inability of the political system “to reproduce conjunction models of the political administrative problem handling of the real interdependencies of the problem connection in the socio-economic environment“ (Druwe 1994: 67). In case of success however the result of the differentiation of an analogue complex accessory is a doubling of complexity, which is reflected in a hyper bureaucracy.

<sup>20</sup> This is by the way a rare case of an on-site reaching establishment of the Federation; normally the duties are handled by the federal states in an administrative way. This circumstance may be able to explain the noticeable difficulties of the political leadership to cope with the implementation and control of the reforms.

<sup>21</sup> As a consequence the transferability of the Scandinavian experiences will become more complicated, because in Scandinavia the passive performances are carried out by the labour unions.

<sup>22</sup> A good example therefore is the delegation of a former post office clerk in the employment service.

Another trouble spot arises in realising the reforms by handling the inter-organisational networks. The communication with the local authorities in context to Hartz IV is often difficult, not to mention the compatibility problems of the software in use, what is reported by concerned employees.<sup>23</sup>

The question of the relation to the Federal States, i.e. the manner of control at this regional level, is still to answer (beyond the time of the Schröder administration).<sup>24</sup> There is a tension noted which supplements the ideologically charged battle between the parties and the interest divergence between poor and wealthy, i.e. Eastern and Western German States for a policy dimension. The co-financing of provisions of employment creation measures was the dominant pattern of interaction between State and Federal Employment Office/Federal Government in the past, however, the administrative overlapping and control needs are higher today, on one hand caused by the increase of activities of the Federal States within the active labour market policy (Blancke 2004, Schmid and others 2004) and on the other hand by activating strategies of the Federal Government, the realization of the Hartz reforms and the measures in context of the European Structural Funds. In that way it comes partly to a competition of the policy concepts and to according conflicts which is controversial to the theorem of a harmonious bureaucratic arrangement in the German Federal State (Lehmbruch 2000).

This situation is getting even more stringent through the activities of the European Union in this field of policy. Not only that the factual and structural complexity is being increased, but “Europe” is like a “Resource” within the conflicts around resources and concepts: “Within the ministries, like in politics, different groups are struggling to push through their policy approaches against the resistance of others. In our interviews in the labour market department some of these disputes were named, for example how to deal with specific problem groups of the labour market (rule them out or give them special attention to bring them in labour markets), how to balance social and economy related policies or the priority given to gender questions. Often more than two competing approaches are on the agenda and conflicts are not only about “global” ideological differences but also about details of how to construct and steer a single instrument. These conflicts are carried out in ministerial decision networks on every cross road in national politics.” (Wolfswinkler 2005: 12, s.a. Roth/Schmid 2001).

It is frequently argued that the Hartz IV law marks a critical juncture resulting in the departure from a conservative welfare state securing acquired standard of living and a move towards a liberal, Anglo-Saxon welfare state relying on means-tested welfare and securing only basic needs. A shift from Bismarck to Beveridge? (Konle-Seidl et al. 2007) So the latest reforms of the red-green coalition show not only rational deficits regarding legislation and difficulties in implementation, but also led to cognitive dissonances and upheaval of normative reference points to the labour market policy within wide parts of the population. This can be interpreted as legitimisation- and motivation crises in loose accordance to Habermas (1973/79; Mau 2004). Particularly the implementation of ALG 2 is regarded as change of the welfare state model and as a loss of the target to assure a living standard and disagrees to the normative expectations deduced by the contribution and equivalence principle.<sup>25</sup> Then, this is to be considered as unjust. According to a representative survey of the WDR on 11.8.2004 a

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<sup>23</sup> Maybe a destructive creation (like a Frankenstein of Mary Shelley) takes the place of a constructive destruction (compare Schumpeter).

<sup>24</sup> For this even the utterances of the Hartz-Commission remained very vague.

<sup>25</sup> In this respect the middle class can be considered as a greater victim of the Reform in “Post-Hartz Germany” than the underclass (Trampusch 2005). Also criticised by the public are changes of other parts of the social insurances, as generated in the Rürup-Commission. “Welfare without work” (Hemerijck u.a. (2000)) obviously enjoys a great deal of support in the population, whereas activation is observed with normative and political scepticism.

majority of the citizens of NRW (North-Rhine Westphalia) thinks the Hartz IV reforms are socially unjust. According to this, 77% of the respondents dislike a setting-off against savings of children to the assets of long-term unemployed people and 85% wish a fundamental reform of the reforms.<sup>26</sup> Hence, contrary to widespread beliefs, the new ALG 2 is not in general lower than means-tested benefits prior to Hartz IV. This holds for virtually all former social assistance beneficiaries, but also for a relevant share of all former unemployment assistance recipients (Konle-Seidl et al. 2007). Simulation studies show that about one sixth of them lost its benefit entitlement due to stricter consideration of wealth or earned income. Of the remaining persons with continued benefit claims almost 50 percent receive higher benefits (Blos/Rudolph 2005).

The idea of giving a better chance of integration to the “Outsiders” – the former welfare recipients -, i.e. at least to increase their incomes and at the same time, to initiate an access to a public oriented basic care, had no publicity effect. It is interesting, that this was absolutely one of the common thoughts of the red-green coalition. This tenseness between insiders and outsiders is precarious especially for social democratic parties (Rueda 2005), what possibly explains why the topic has been treated so defensively.<sup>27</sup> “The Federal Government got more and more into a dilemma between a loss of acceptance because of a lack of success on the labour market what refers to insufficient reforms and the estrangement from the Unions, the basis of the party and parts of the voting public in view of the intervention regarding the welfare state which were noted as unjust.” (Eichhorst/Zimmermann 2005: 14).<sup>28</sup>

There are similar problems with two further, important topics of the labour market policy, which have not been very acknowledged by Red-Green with regard to their policy and legislation. This is the question of employment for older people, i.e. the downside of the reforms of the pension policy (compare Schmid 2005b, FES 2006) – as well as the question regarding the support of the service society, what would also mean a strong impact for the whole structure of the German welfare state (like for example the protection of the low wage sector and a compensation function of the public sector).<sup>29</sup> In view of the low winning options for the government, in electoral politics as well as fiscal terms, it was decided to take the way of “Non-Decisions” (Bachrach/Baratz 1962).

## 6. Final remark

The labour market policy – according to the motto: “Big problems need big reforms” – has taken a high status during the 2<sup>nd</sup> administration Schröder. If it was rated by material results, in the beginning only little was reached with regard to the development of the unemployment in general and the part-groups which were affected in particular. This is connected because of

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<sup>26</sup> Questionnaire of the polling firm made by order of WDR;

[www.wdr.de/themen/politik/deutschland/bundestag/hartz/spitzengespraech.jhtml?rubrikenstyle=politik](http://www.wdr.de/themen/politik/deutschland/bundestag/hartz/spitzengespraech.jhtml?rubrikenstyle=politik)

<sup>27</sup> With an inclusion of Great Britain the rigidity of these measures must be relativised (Clasen 2004).

<sup>28</sup> The „lack of quick success“ was also due to the fact that Hartz IV led to a change in unemployment statistics: the introduction implied new eligibility criteria for benefit receipt. Therefore a large number of former social assistance recipients, previously not registered as unemployed, were counted in January 2005 in the unemployment statistics. In turn, the number of registered unemployed exceeded 5 million for the first time. Although this was only a statistical effect and did not mean a substantial increase in non-employment or broad unemployment, it was perceived as a major policy failure and the proof of the fact that the Hartz reforms did not work. (Konle-Seidl et al. 2007)

<sup>29</sup> Accordant to the considerations that were presented at the beginning, these are – at the same time – the fields, that can be governed by the labour market policy at all and that can be used as assessment criterions for success and failure.

the dynamic of the political institutions which on one hand can mean a reform deceleration in the sense of a concept of path dependence, especially when there is no governing majority in the Bundesrat. On the other hand in the case of overcoming these political-institutional barriers – especially in the field of the political-administrative fundament and the implementation process – susceptible to garbage-can effects and successful failure. Compromises which are in deficit in respect of content may be presented as a result of successful political negotiations, but may not be much good for a resulting realisation, especially in a strategic, organizational, instrumental and political very complex field like labour market policy. At the same time the normative resistance of the established welfare state model proves itself as considerable and questions of justice were last but not least one of the reasons for the failure of the governing coalition – no matter if this criticism is justified or not.

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