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Public services for the long-term unemployed in Germany and France – How to explain divergence in the organization of public governance?

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Abstract

The article compares the reform of public governance arrangements in the field of social and employment services for the long-term unemployed in Germany and France since the end of the 1990s. It sheds light on the diverging organizational development of public governance due to institutional reforms in the course of the ‘Hartz-legislation’ in Germany and the decentralization of the RMI in France and delineates a framework for the comparative analysis of the diverging organizational choices in these two ‘Bismarckian’, continental European welfare states as far as the intergovernmental distribution of policy functions, the structuring of politico-administrative steering and the structuring of interaction between implementing actors is concerned. Three approaches towards a theoretical explanation of institutional reform policies are generally seen to offer explanatory value for an understanding of the reforms under scrutiny and of divergence: a functions-related approach, a norms-related approach and an actor-institutions-related approach. Referring to the last one and taking the multiple-streams approach from policy-analysis as a concrete theoretical basis, it is argued that divergence in the organization of public services for the long-term unemployed in Germany and France may be explained by the dominance of varying logics for institutional reform-making in both cases – rather ‘exceptional’ in the German case and rather ‘normal’ in the French case as far as the problem-load, policy-options and actors interests and veto-power at the moment of reform by the beginning of the 2000s – may explain diverging organizational choices on both sides of the Rhine. In the case of Germany as compared to France, the choice for a centralized, managerialist arrangement of the public governance of social and employment services for the long-term unemployed may have undesirable effects on the capacity of the welfare state to effectively integrate this group of unemployed into social life and the labour market.

1. Introduction

Since the end of the 1990s both Germany and France adopted major reforms as regards the goals, guiding principles and instruments of their social and labour market policies in order to stabilize their systems of labour market policies and unemployment insurance under continual pressure since the mid-1980s due to rising numbers of unemployed. The national systems of social, labour market and employment policies on both sides of the Rhine for long depicted as characteristic for the German and French typically Bismarckian welfare regime (Esping-Andersen 1990) which, in both cases, is being complemented by a state-financed social help regimes at its margins. On both sides of the Rhine the systems are basically characterized by two core elements: first, a subsidiarity-based, contributions-financed unemployment insurance to protect workers and employees – the actual ‘insiders’ of the labour market – from the risk of becoming unemployed by guaranteeing them eligibility to an income-related insurance-benefit in case of unemployment within a short notice of less than 12 months; and, second, a solidarity-based, means-tested, tax-financed social assistance regime for all persons in need

including the long-term unemployed being out of paid work for more than 12 months, in short: the actual ‘outsiders’ of the labour market (Palier 2006; Clegg 2008).

In Germany as in France, the radical reforms of “substantive policies” (Kuhlmann/Wollmann 2010: 2) first and foremost concerned the element of social help and labour market policies for the ‘outsiders’ of the labour market; here, both states went for similarly directed reform steps: cuts in benefits and benefit duration; tightening of eligibility criteria; activation-orientation of social help and coupling of assistance to strict job-search requirements and sanctions; generalization of individualized labour market reintegration plans as a policy instrument (Clegg 2008: 75). Yet, Germany and France went for largely diverging routes as far as the restructuring of the administrative arrangements to carry the implementation of their social and labour market policies for the long-term unemployed and their politico-administrative steering is concerned. France in this respect decentralized the function of social and employment assistance (the former RMI and today’s RSA) and fully gave this competency in the hands of the Départements by the beginning of 2004 whereas Germany, on the basis of the so called Hartz-legislation centralized this function, i.e. took this competency out of the hands of the municipalities, installed a managerialist steering arrangement inspired by NPM-ideas and extended hierarchical control of local implementing actors by the head office of the former Federal Labour Office (*Bundesanstalt für Arbeit*) which had become a modern Agency, the Federal Labour Agency (*Bundesagentur für Arbeit*), in 2003.

Referring to the assumption of comparative public management and institutional reform policy (Kuhlmann/Wollmann 2010) whereupon the distribution of competencies between levels of government does make a difference as regards the ‘performance’ of public administrations in fulfilling their functions (Kuhlmann et al. 2011; Ebinger et al. 2011) this observation of opposite organizational choices appears to be in need of an explanation. This is the more so, as both France and Germany with the evoked choices seemed to strike new paths as compared to their former public governance arrangements underlying the fulfillment of social and labour market services to the long-term unemployed (Wollmann 2008).

This article seeks to create a comparative understanding for recent organizational reforms in Germany and France and to sketch a framework for the comparative analysis of institutional reform policies leading to divergence between these two ‘Bismarckian’, continental European welfare states in respect to the intergovernmental distribution of social and employment service functions, the formal supply of financial and non-financial instruments to be used by the actors of the respective steering constellation and the regulation of interaction between the these actors forming in the course of the fulfillment of services.

Underlying this article is an understanding of ‘public governance’ as the formal and informal organization of the processes of politico-administrative will formation, decision-taking and action in a particular field of public functions (Schedler 2007: 253). Public governance arrangements feature as well static as well as dynamic elements. They are characterized by a certain, very often formally institutionalized distribution of functions to public actors, a specific distribution of resources i.e. financial means and/or pre-defined policy instruments or autonomous rights to “instrumentation” (Halpern/Le Galès 2011) and by particular forms of interaction between the main actors involved in the fulfillment of functions (Schedler 2007: 253).

Starting from this definition, the article in its second part sheds some light on the traditional design of the arrangements for the public governance of social and labour market services for the long-term unemployed in Germany and France. In a third part, major changes of the

arrangements due to institutional reforms in both countries in the end of the 1990s and at the beginning of the 2000s are described. In this context, it is argued that Germany followed the orientation of a centralization of functions, a managerialisation of politico-administrative steering of the policy-implementation and a regulative-turn as far as the organisation of interaction between administrative actors on the vertical and horizontal axes of the public governance arrangement are concerned whereas France went for a decentralisation, politicisation and an extension of contractualisation in these respects. In a fourth part, the article, by referring to comparative research on institutional change on the welfare state and studies on the convergence of public governance-arrangement, the article, in a first step differentiates between three overall approaches towards an explanation of welfare institutional reform policies and divergence; here, a functions-related, a norms-related, and an actor-institutions-related approach are distinguished. In a second step, referring to the actor-institutions-related approach, the article tries to identify major factors that, in a comparative perspective, might explain the differing and diverging organizational choices taken by Germany and France with their respective institutional reform policies (Kuhlmann/Wollmann 2010); here, the multiple-streams-approach from policy-analysis is taken as a theoretical basis in order to develop a framework for further empirical research on the topic. In a fifth and final part, the article draws some conclusions regarding the comparative analysis of public governance reform in functional fields of the welfare state and regarding the probable changes in 'performance' of the public services for long-term unemployed in Germany and France. In this last context, it is also argued that in the German case as compared to the French one, the choice for a centralized, managerialist arrangement for the public governance of social and labour market services to the long-term unemployed may have undesirable effects on the capacity of the welfare state to integrate this group of unemployed into the labour market.

2. Social and employment services for the long-term unemployed in Germany and France: Traditional arrangements

Germany and France are often depicted as prototypical examples for the Bismarckian type of welfare state (Palier/Martin 2008) and at the same time a continental European type of public administrative system (Kuhlmann 2009). Both states qualify by their employment-centered social insurance-based, in large parts self-administered systems of social protection and a Weberian, bureaucratic organization of their public administrations relaying on hierarchical steering in the different sectors or functional fields of the state and a legalistic, rules-oriented understanding of the fulfillment of public functions. Major differences are traditionally seen to lie in the role which the municipalities and/or counties (the German "*Kreise*" and the French "*Départements*") play in the fulfillment of public functions. Here, variance plays out e.g. in social policies as a functional field of the (welfare) state. In the German federal state, the municipalities or communes have traditionally been strongly involved in the fulfilment of social public services and the implementation of welfare policies. In the case of the French Fifth Republic, by contrast, this has not been the case since the beginning of the decentralization reforms in 1982-1984. Until then, notwithstanding initiatives to the making and implementation of own local social help policies notably by big cities since the late 1960s (Mabileau 1996; Le Galès 2008: 206), it was the central state who set the tone in the field of local social policy-making. The fulfillment of social policy functions on the local (i.e. municipal and départemental) level here first and foremost was a competency of the central states' own de-concentrated services (*services extérieurs*); and still today the implementation of these functions is widely characterized by manifold interventions of the still dirigiste central state. Similarities and differences between Germany and France in regard to the post-

World War II organization of the public governance of social help and labour market services for the long-term unemployed can be traced back until the 1960s.

Both the Federal Republic of Germany and the Fifth French Republic started to rebuild their public employment and social help systems since the 1960s by mostly sticking to their respective former arrangements in this functional field of the welfare state, i.e. the territory-bound, multi-purpose model in the case of Germany and the functions-bound single-purpose model of the production and governance of public services in the case of France (Kuhlmann 2009: 62-63; Reiter et al. 2010: 169-170; Wollmann 2004, Bogumil/Jann 2009: 89). With respect to former arrangements, continuity showed then appeared in both cases e.g. as regards the separation of the self-governed insurance regimes and the public assistance, placement and social help regimes, the bureaucratic internal organization of public employment and social help services and the corporatist mode of steering labour market policies. Variation between both cases notably showed up in the distribution of functions and competencies between the central state and the local level of government.

2.1 Germany

During the phase of economic boom from the mid-1950s to the end of the 1960s, neither social help nor labour market policies played a major role in the context of the (re-) configuration of the German welfare state. In this phase, the main driver for welfare state institutional policy was the aim to guarantee the biggest part of the population a share in the fruits of economic boom and wealth creation. In this respect institutional reforms, first, followed the idea to rebuild the post-war system of social help and unemployment protection which consisted of two organizational columns: On its one side was the unemployment insurance for workers and employees (*Arbeitslosenversicherung*, ALV); it guaranteed passive a financial assistance, the so called unemployment pay (*Arbeitslosengeld*), to unemployed in a short notice and had initially been put in place in 1927 with the law on labour exchange and unemployment insurance (*Arbeitsvermittlungs- und Arbeitslosenversicherungsgesetz*, AVAVG) as a system of social insurance placed under the autonomous control of the social partners on the basis of an corporatist arrangement of self-administration. On the other side of the rebuilt arrangement of social and unemployment protection was the decentralized system of local social help; social help, in this time, formed one of the many optional functions of the municipalities.

Since 1952, the conservative government of the first chancellor *Konrad Adenauer* started to complete this two-column system and to bring in the state as a major actor of social and employment policy and especially of social integration and labour market policy for the long-term unemployed being out of work for more than 12 months. In 1952, the federal government in accordance with the social partners (trade unions; employers unions) installed the Federal Bureau for Labour Exchange and Unemployment Insurance and being renamed in Federal Labour Office (*Bundesanstalt für Arbeit*, BA) in 1969 as the new organizational core of German employment and labour market policy competent for the implementation and tripartite (state-trade unions-employers) steering, administration and implementation of public functions in this field. Following the installation of the BA, the federal legislator, in 1956, introduced a new help regime for long-term unemployed who had lost their eligibility to the benefits of the unemployment insurance. This new regime was called unemployment assistance (*Arbeitslosenhilfe*). As a tax-financed benefit it bridged the help gap between the contributions-based system of unemployment insurance which rested on the idea of income-maintenance and the system of local social help financed by the communes and which was based on the ideas of charity and solidarity of the local community with the poor.

All in all, the system of social help and unemployment protection thus integrated three major elements since 1956: the unemployment pay (*Arbeitslosengeld*) – a truly contribution-based insurance benefit –, the unemployment assistance (*Arbeitslosenhilfe*) – a state-/tax-financed benefit –, and local social help as the element ‘last protection’ against poverty. Both unemployment pay and unemployment assistance were related to the last income of the beneficiary; they could only be paid to persons who had declared themselves unemployed at the Federal Labour Bureau (*Bundesanstalt für Arbeit*, BA) and who could verify that they had contributed to the ALV for a certain minimal time span. Under these conditions, unemployment pay as the only genuine insurance benefit was paid for a maximum 12 months and allowed for a maximum of 60 per cent of the beneficiaries’ last income. By contrast, unemployment assistance as the tax-financed completion of unemployment pay was not limited in its coverage time but was connected to a range of formal conditions for access. It was a means-tested benefit which allowed for a maximum of 53 per cent of the last income of the beneficiary and which was paid out of the states’ (i.e. the social and labour ministries’) budget. Notwithstanding their different financing, both unemployment pay and unemployment assistance were disbursed and administered by the Federal Employment Office (BA).

Since its reform in 1969, the Office or “BA” had the double-function of administering the unemployment insurance with its two core benefit elements, the *Arbeitslosengeld* and the *Arbeitslosenhilfe*, and of managing placement instruments and offering placement services to the unemployed still being eligible to insurance benefits and also to firms as potential employers. In this respect to the Labour Offices placement functions, the federal legislator adopted the Employment Promotion Act (*Arbeitsförderungsgesetz*, AFG) in 1969 which introduced a number of instruments and measures of active placement policy primarily directed towards a reintegration into the labour market of the short-term unemployed still being eligible to the coverage of the unemployment insurance (the AFG which was adopted by the German *Bundestag* in 1969 on the initiative of the first grand coalition of CDU and SPD and was replaced by the Social Law Code III [*Sozialgesetzbuch III*, SGB III] in 1997).

As an organisation characteristic of the Bismarckian welfare state, the Federal Labour Office was and, in parts, still is a semi-public, mostly self-administered body which is placed under the legal control of the Federal Labour Ministry. Until 2003, it was generally characterised by a tripartite three-level structure for the decision-making and the governance of labour market services bringing together the state (Federal Social and Labour ministry), the trade unions represented by their framework organization, the *Deutscher Gewerkschaftsbund* (DGB), and the employer unions, notably the *Bund Deutscher Arbeitgeber* (BDA). Internally, it depicted a classic bureaucratic organisation in the Weberian sense; it integrated two functionally separated columns of internal organisation (one for the administration of passive financial benefits to unemployed; and one for the carrying out and administration of placement functions) qualified by a three-level overall structure (a central, a regional and a local one) with specific tripartite bodies of self-administration on each level. The bodies of self-administration on each level had their own functions and, on this basis, were competent of the steering of actions of the BAs’ administrative services on the respective level. On its top level, the central office in Nuremberg represents the BA and decides on the general aims of placement policy. On the regional level, ten regional directories are competent the implementation of all operative functions of the BA notably in the field of placement policy. Here, they cooperate with the governments of the federal states (*Bundesländer*) and the regional branches of the social partners. The regional directories have a general coordinative and controlling function vis-à-vis the 178 local labour agencies and 610 local branch offices.

Those are the local contact points for all unemployed persons. The local agencies are responsible for the treatment of the individual cases and, in this context, the implementation of the federal placement policy by a decision on the application of the given policy instruments in the different individual cases. On the local level, the municipalities together with the local branches of the trade unions and the employers were present as an actor within the local bodies of self-administration of the BA. As a whole, this organizational system rested on the principle of hierarchy as the primary mode of interaction between the three levels. Regarding the fulfillment of functions especially on the local level within the local labour agencies, legalistic rule enforcement more than a pro-active service orientation was the guiding principle for administrative action. This structure basically remained intact until the end of the 1990s. First organizational adaptations were adopted since 1997 in the course of the implementation of the reform project “Labour Office 2000” (“Arbeitsamt 2000”) which was adopted by a decree of government in 1997 and aimed at an increase in efficiency and service-orientation.

It is important to notice that both the governance of the unemployment insurance with its related services to the beneficiaries of the contribution-based *Arbeitslosengeld* and the unemployment assistance with its related services to the beneficiaries of the tax-financed *Arbeitslosenhilfe* were carried out within this institutional structure of the BA. Paralleling this federal, corporatist structure for the steering and implementation of employment and labour market policy was the decentralized structure of social help policy as an exclusive function of the communes. Regarding this policy system, the federal legislator adopted the Federal Social Help Act (*Bundessozialhilfegesetz*, BSHG) in 1961 and thus created a general legal framework for the carrying out of social help. Anyhow, social help remained a local competency which was implemented by the municipalities with their own social authorities (*Sozialämter*). The BSHG which entered into force in 1962 not only installed a general legal framework for local social help by defining basic financial and material help against poverty as a universal social right of every needy person, by standardizing subsidy rates and by stating the means-testing procedure as the general procedural rule to find access to social help. More importantly, the federal legislator under the title “Help to Work” (§§ 18-20 BSHG) integrated specific “workfare elements” (Mohr 2009: 52) into the BSHG which could be used by the municipalities to advance the labour market integration of recipients of social help (§§ 18-20 BSHG) and to sanction them in the case of a refusal of local job offers (§§ 25 and 30 BSHG). Notably the instrument of paid working opportunities (*Arbeitsgelegenheiten*; §§ 18 and 19,1 BSHG) should be mentioned in this context.

The just described two-column structure with the BA being competent for the fulfilment and administration of all functions related to the unemployment insurance and placement policy, and with the municipalities being competent for social help policy and actively participating in the self-administration of the BA on the local level of governance, marked of the German system of unemployment and social help policy until 2002 (opt. cit. Klenk 2009: 207). Even though, it saw a big number of changes since the end of the 1950s, its core organizational principals remained untouched. This is true as well regarding the principle of self-administration and idea of a tripartite neo-corporatist governance of labour market policy as well as regarding the distribution of functions between the state, the social partners and the municipalities. An overview on the most important reforms of German social and unemployment policy between 1960 and 2000 (opt. cit. Bosch 2009; Kaps 2009) illustrates the relative stability of this two-column structure. In this context, it is important to notice that a mutual intrusion of the governance arrangements of the BA in respect to federal labour market policy on the one side and the municipalities in respect to local social help policy on the other side was in principle not envisaged, even though the whole system rested on the idea

of a close cooperation between these actors. Yet, given the increasing number of unemployed since the mid-1970s and especially the increase in long-term unemployed who were not eligible to the unemployment insurance benefits and the according placement assistance of the BA, the municipalities entered the functional field of the BA. They did so by making more and more extensive use of the labour market policy instruments defined in the scope of the BSHG and by starting their own initiatives for local labour market policies on this legal basis.

Since the beginning of the 1980s under the pressure of increasing numbers of social help recipients and increasing financial burdens due to a steadily growing local public spending on social help and additional social help for recipients of low incomes, German municipalities took the labour market policy instrument of the BSHG as a basis for the development of a mechanism of burden shifting towards the unemployment insurance: Municipalities installed local employment societies which offered paid and socially insured jobs the recipients of social help in different fields of local public services and thus enabled their traditional clientele to get access to the different branches of the social insurance system and notably to the system of unemployment insurance. As a rule, the employment contracts offered to the former social help recipients by local employment societies were limited to one year i.e. the minimum span of contributions to the unemployment insurance in order to get the allowance to unemployment pay. With the help of their instrument of paid local working opportunities, German municipalities as the bearers of social help thus arrived to effectively shift part of their financial burdens to the contribution-based system of unemployment insurance and the tax-based system of unemployment aid. This mechanism of burden soon became to be known as the 'revolving door effect' ("Drehtüreffekt").

To sum up, the traditional arrangement for the public governance of social help and labour market services to the long-term unemployed in Germany consisted of a two-tier structure with, on its one side, the BA competent for the administration of the passive assistance to the recipients of the tax-financed *Arbeitslosenhilfe* and with, on its other side, the municipalities competent for the carrying out of social help to the poor including the implementation of labour market policy functions in the scope of the BSHG. Both tiers, bureaucracy was the dominant concept for the organization public service fulfillment and the governance of public services. Even though, the BA with the local labour agencies and the municipalities acted as separate autonomous organisations in the fulfillment of their respective functions cooperation between the two envisaged and was the rule mostly on a loose basis.

2.1 France

In France, like in Germany, social help and (active) labour market policies especially for long-term unemployed did not play a major role as parts of the public social protection system in the first three decades after the Second World War. During the *Trente Glorieuses*, the thirty years of economic growth and welfare state expansion until 1975, the central government and the social partners concentrated their forces onto the building-up of a general system of contribution-based employment and income-related social insurance regimes to guarantee the working population the maintenance of their income status in case of illness and work accidents, old-age and all sorts of family-related needs (pregnancy and motherhood, housing, etc.). The state-controlled *Sécurité sociale* with its four insurance or protection branches (the health-, the accident-, the pension-insurance and the national family insurance, CAF) was (and still is) at the organisational heart of this system. It was put in place still under the Fourth Republic in 1945 by a decree of the government of *Charles de Gaulle* and integrated most of the many different largely sector- or firm-related schemes of old-age pensions and health insurance inherited from the postwar era (opt. cit. Palier 2002).

Besides and aside from the comprehensive insurance and aid system of the *Sécurité sociale*, a fragmented social help and labour market policy system which basically rests on three separate organisational columns saw the light of the day since the late 1950s; its three columns are: first, the French unemployment insurance placed under the autonomous control of the social partners cooperating within a corporatist setting; second, the former *Agence nationale pour l'emploi* (ANPE), a state-controlled national public employment service in charge of placement functions; and, third, several tax-financed social help schemes, the so called *minima sociaux* for different groups of needy persons, amongst which also the long-term unemployed (besides the states' *minima sociaux*, a whole range of different minor local schemes existed).

The first organizational column or element for this protection system, the unemployment insurance UNEDIC/Assédic, was created by the social partners in 1958. In this year, under the impulsion of the first president of the newly founded Fifth Republic, general *Charles de Gaulle*, the main trade unions FO, CGT and CFDT and the employers union MEDEF concluded a national convention on the insurance scheme. They decided to assign all administrative and steering duties related to the insurance system (collection of contributions, payment of insurance-benefits, general administration, decision-making on concession of individual benefits) onto the national inter-professional 'Union for employment in industry and trade' (*Union nationale pour l'emploi dans l'industrie et le commerce*, UNEDIC) and the 30 regional 'Associations for employment in industry and commerce' (*Associations pour l'emploi dans l'industrie et le commerce*, Assédic).

As an organisational system, the French unemployment insurance thus formally consists of around 31 autonomous organisations on two levels of governance which assume a functional partnership between each other with regard to the administration and implementation of the insurance functions – the UNEDIC on the national and the Assédic on the regional level. Both the UNEDIC and the 30 Assédic are fully self-administered on the basis of equivalent representation of the social partners in the organisations' decision-making and steering bodies; as organisations, they are formally constituted in the forms of associations with an administrative board and a bureau for the fulfilment of the daily functions. Unlike in the case of the German BA, the state and/or the local communities (notably the municipalities and the Départements) do not play a role as direct partners of policy-making and governance in neither of these organisations. They are thus characterized by a truly corporatist structure. Until its fusion with the national employment agency ANPE in 2008, the UNEDIC/Assédic system, remained fully autonomous in the fulfilment of its functions. In contrast to its functional equivalent in the German case, the *Bundesanstalt für Arbeit* (BA), the UNEDIC/Assédic system exclusively is in charge of administering the unemployment insurance, i.e. the passive insurance benefit, which is called 'Help for return to work' (*Aide au Retour à l'Emploi*, ARE); the UNEDIC/Assédic neither does prepare nor offer placement services¹.

¹ Yet, since 2001, the social partners, due to a bad financial situation of the UNEDIC/Assédic, signed the so called PARE (plan de retour à l'emploi) convention with which they tried to establish an instrument of "active" employment policy. The PARE was meant to be signed by the beneficiary and the Assédic and should work as a sort of informal control instrument of the unemployment insurance vis-à-vis their beneficiaries as regards the efforts of the beneficiaries to quickly find a job and reenter the labour market. PARE was declared illegal by the French court of cassation in 2007. After that, following the will for a better interdigitation of functions, the UNEDIC/Assédic and the ANPE fused in 2008 into a new comprehensive organizational structure: *Pôle emploi*. *Pôle emploi* since then forms the organizational head of a system which is formally meant to integrate passive insurance functions and the active placement functions.

The second element of the French social help and labour market policy system was – from its creation by law in 1967 until its fusion with the UNEDIC/Assédic system in 2008 – the national employment Agency (*Agence nationale pour l'emploi*, ANPE). The ANPE centralized and monopolized the French placement policy until 2005 (the states' placement monopoly was abolished in 2005 by the Social Cohesion Act [Loi Borloo]). It fulfilled statistical functions and the function of implementing the states' active labour market policy and of offering placement services both to all unemployed (beneficiaries of the unemployment insurance and others) and to firms or employers. As an organisation, the ANPE was a public body with limited financial and organisational autonomy which stood under the direct control (*tutelle*) of the ministry for the economy, industry and employment. It was characterised by its bureaucratic, strict hierarchical internal structure. It was subdivided into different functional units on three different levels of governance. Besides the general directory on the top national level, which decided on the general orientations of the ANPEs' policy, 22 regional directions were responsible for the implementation of placement policy in the French regions. Finally on the local level, 120 delegated directions which acted as the local antennas of the regional directories controlled at arm's length the placement services of the more than 800 local job agencies and other special sub-bodies; in contrast to the German municipalities taking part in local employment policies by cooperating with the local agencies of the BA, the French municipalities did not have a say in the ANPEs' locally oriented decision-taking about placement strategies.

Lastly, the third element of the three-column French social help and labour market policy system consisted (and still consists) of a range of different group-related tax-financed social help regimes (*minima sociaux*) which mostly saw the light of the day since the mid-1970s (Gallouj/Gallouj 2008: 219). Like the German former local social help, the French *minima sociaux* form the last net of social protection. As in Germany, access to these schemes, that are regulated in the Social action and family code (*Code de l'action sociale et des familles*), is based on the idea of social help as a universal social right; this right can be called upon by each individual on the condition of a generalized procedure of means-testing. Yet, in reality this right is constrained by the fact of the group-related character of the *minima sociaux* (a total of around eight regimes like e.g. social help for handicapped persons (AAH); social help for lone parents (API) etc. existed). Concerning the social risk of unemployment, the most important social help regimes are the allocation for long-term unemployed at the age of over 55 who do no longer possess of entitlements vis-à-vis the unemployment insurance, the *Allocation de solidarité spécifique* (ASS) created in 1984, and the Minimum integration income (*Revenu minimum d'insertion*, RMI) created by the socialist government in 1988.

The RMI which was fused with the Lone parents allocation API in June 2009 into the new active solidarity income (*Revenu de solidarité active*, RSA), addressed all persons at working age (between 25 and 65) who were in principle apt to work notwithstanding whether they once had already been at work or not. As an early instrument of an 'activation'-oriented social help and labour market policy (opt. cit. Clegg 2008: 72; Eichhorst et al. 2010), the RMI from the very beginning of its existence was a means-tested social aid which was only accredited to its applicants by the state in exchange for the mutual signature of an 'individual integration contract' defining the steps and measures to be taken of both sides in order to arrive at a fast integration of the beneficiary into the labour market. In contrast to Germany, local authorities i.e. the municipalities and especially the Départements did not play a role in the financing, implementation, and administration of the *minima sociaux* as the official social help schemes in France until the beginning of the decentralization reforms between 1982 and 1984. Until then, these functions were fulfilled by special de-concentrated bodies of the

central state government, the Departmental Directions on Sanitary and Social Affairs (*Directions départementales d'actions sanitaires et sociales*, DDASS), which were placed under the direct control of the social ministry.

The the 'first acte' ("Acte I") of the decentralization reforms between 1982 and 1984 lead to a transfer of many social help functions from the central state to the Départements and municipalities. In this context, the Départements and municipalities participated in the fulfillment of different functions of poverty-defense and social integration (*insertion*) notably of young unemployed under 25 (e.g. participation of local governments in the missions of the Permanent contact, information and orientation points [*Permanences d'accueil, d'information, et d'orientation*, PAIO] for young unemployed between 16 and 25 created by the socialist government in 1982). Yet, amongst the competencies transferred to the Départements, social help and labour market services to the 'normal' unemployed and particularly to long-term unemployed persons either lacked – this was the case for the ASS which since its creation in 1984 was administered by deconcentrated social services of the central state government – or their were not completely decentralized. This was specifically true for the RMI which, soon after its creation in 1988, became the most important social help regime as far as the number of beneficiaries is concerned (CAF 2011).

In 1988, the RMI was not directly given to the Départements but was instead conceptualized as a function which bounded together both state and départemental actors in a cooperative steering and implementation-arrangement (co-gestion) with the states' authorities at the départemental level – Prefect and DDASS – being competent for the means-testing, concession and financing of the financial benefit and the Départements, i.e. the Conseil généraux as elected bodies and départemental administrations, being competent for offering social services to the 'RMist' in order to advance their fast social and labour market integration. It was only at the beginning of 2004 in the context of the 'Acte II' of the French decentralisation reforms that the RMI was fully transferred to the Départements.

Notwithstanding the central states' predominant role in social help policy, many Départements and municipalities, especially big cities, being faced with high rates of unemployment and poverty, tended to create their own additional local social help schemes on the basis of their right to self-government since the late 1960s. Additional to the scattered and territorially uneven net of help local social help schemes, the central state legislator in reaction to increasing numbers of unemployed created some specific instruments which could be used by the municipalities and Départements amongst others in order to fight unemployment and further the labour market integration of unemployed. In this context, notably the publicly tax-financed Collective utility work opportunities (*Travaux d'utilité collective*, TUC) announced by the central government cabinet in 1984 and the local insertion programmes (Programmes, d'insertion locale, PIL) announced by the former minister of social affairs, Philippe Séguin, in 1986 should be mentioned.

To sum up, under the traditional arrangement, the governance of social help and labour market integration of the long-term unemployed was concentrated onto the governance of the specific social help regime of the RMI since 1988. This was a mixed state-local/départemental function with the states' deconcentrated (social) authorities holding the competency of final decision-taking especially as regards the concession of the benefit. Between the states' authorities and the Conseil généraux, coordination was formalized; yet, very often, it did not function well as each of the 'legally enforced partners' concentrated on its part of the fulfilment of functions with its respective own administrations and few approaches towards an intensified coordination. As regards the Départements' part, the planning, financing and

implementation of active social and employment integration services to the RMIst (this function, financially spoken, represented about 17 per cent of the total public spending on the RMI before 2004), the Conseil généraux installed all sorts of contractual partnerships with public bodies like the ANPEs' local agencies, with private bearers of social integration services like local associations and with the municipalities in order to carry out their function (Kuhlmann et al. 2011).

3. Reforming traditional governance arrangements – major changes since the late 1990s

As was shown in the last part, continuity and relative stability characterised the evolution of the public governance arrangements in the field of social help and labour market policy for the long-term unemployed in Germany and France in the aftermath of World War II until the end of the 1990s. The reforms adopted in both states during this period restructured the mixed Bismarckian and state-related welfare model and contributed to an incremental depletion of it. Yet, path breaking system alterations did not take place. After 2000, the situation changed. Specifically in the case of Germany, the four so called “Hartz Laws”, which were adopted by the social-democrat/green government of chancellor *Gerhard Schröder* in 2002 and 2003 and which entered into force between 2003 and 2005 – in the official term they were named “Laws on modern services at the labour market” – could be interpreted as having brought about a ‘paradigm’ or ‘path breaking’ change. This especially accounts for the Fourth Hartz Law. It not only essentially altered the understanding of the term “welfare” by finally baring the former social help-concept from its core norms of social integration and social solidarity with the needy and by substituting them with the new norm of “activation” (Gronbach 2009: 39-41). It also fundamentally modified the public governance arrangement underlying this system as well regarding the distribution of functions between the levels of government as well as regarding the steering of the financing of help services and the instrumentation at hands for the public actors in this field, and finally as well regarding the structuring interaction processes. The reform steps taken in the French case, notably the full decentralisation of the RMI in 2004, the coupling of the RMI and the creation of new contractual instruments of active labour market policy like namely the CI-RMA in 2004 in contrast marked rather incremental reform steps in as far as they did not alter the normative fundament of social help and denoted still another step on the march into the decentralization of social tasks which started already at the beginning of the 1980s.

Against this background, looked at it from a comparative perspective, the German and French systems of social help and labour market services for the long-term unemployed converged in respect to the ideas underlying the welfare states' action or its “substantive policies” (Kuhlmann/Wollmann 2010: 2) (“activation”; contractual instead of universal rights-based relationship between the state and the needy). Yet, – this will be shown in the following – both systems diverged as far as the output of *institutional reform policies*, i.e. according to Kuhlmann/Wollmann, policies which “are directed at impacting on the political and administrative institutional structures” (Kuhlmann/Wollmann 2010: 2), in this functional field of the welfare state is concerned. In what follows, we will see that divergence in a sense of ‘any decrease in the similarity between one or more characteristics of a certain (administrative) organization across a given set of political jurisdictions over a given period of time’ (opt. cit. Knill 2005: 768), becomes apparent for all three elements of the respective public governance regimes, the distribution of functions between the state and the local governments, the structuring of financing and instrument-use, and the structuring of interaction processes between all actors involved in the fulfillment of functions.

3.1 Distribution of functions: centralization vs. decentralization

Considering the formal distribution of competencies in respect to the integration of long-term unemployed amongst public and semi-public actors on the different levels of government, the divergence is most remarkable. Whereas Germany went for a centralization of functions, France took the oppositional path.

In the German case, the federal legislator, by the adoption of the “Hartz IV”-Law in 2003/2004² merged the former local social help and the former tax-financed unemployment assistance (*Arbeitslosenhilfe*) into the new “basic protection for persons in quest for work” (*Grundsicherung für Arbeitssuchende*), the core of which is formed by the new state/tax-financed help regime of the *Arbeitslosengeld II* (ALG II). Due to this law, a double centralization of the governance arrangement affecting as well the relationship between the state and the social partners and the relationship between the state and the municipalities took place.

First, as far as the relationship between the state and the social partners is concerned, the law depicted a limitation of self-administration; in contrast to the former *Arbeitslosenhilfe*, the new ALG II does not longer fall under the decision-making and steering competencies of the BAs’ tripartite bodies of self-administration on the central, regional and local level of governance.

Second, as far as the relationship between the state and the municipalities is concerned, the Hartz IV-Law, with the creation of the ALG II not only withdraw the function of social help but also of active employment assistance to the long-term unemployed widely exercised by the municipalities on the legal basis of the BSHG from the local level. In total, these laws brought about both a centralization and shift towards a single purpose model of the functional organization of social help and labour market services to the long-term unemployed in Germany. Looked at it from more closely, the new “basic protection for persons in quest for work” (*Grundsicherung für Arbeitssuchende*) has to be described as a mixed state-local function. Indeed, the German municipalities today are still competent for certain additional social assistance functions to the long-term unemployed, including financial assistance to cover basic needs like housing (§ 22 SGB II) or to care for minors and disabled family members as well as social advisory services in case of individual excess indebtedness, or in case of dependency, or in case of psychosocial problems (§ 16a SGB II). The just-described constellation depicts the ‘normal constellation’ of functional distribution between the levels of governance and of the bearing of functions related to the *Grundsicherung*. Besides, 69 German municipalities, due to an exceptional rule by which the initial Hartz IV-Law of 2003 was amended in 2004, were allowed to bear the function of the *Grundsicherung für Arbeitslose* completely on their own. They are called ‘optional communes’ (*Optionskommunen*) and obtained the right to self-management of the *ALG II* following an intervention of some German federal states (*Bundesländer*) like the *Land* of Hesse in the course of decision-taking on the four Hartz-laws.

In the French case, the national legislator went for the opposite direction. With decentralising the RMI on the basis of the general decentralization law of December 2003, the financial regime of the RMI as such did not alter. Yet, at the beginning of 2004, the 100 French

² The Fourth „Law on modern services at the labour market entered into force in January 2004, but was revised shortly afterwards, and anew entered into force in January 2005.

Départements became the exclusive bearers of the function. The decentralisation of the RMI meant a general dissolution of the former structure of state-local co-gestion of the help regime and the replacement of the former state-local mixed function by a completely local, i.e. départemental one. Formally, the states' representatives on the départemental level – the deconcentrated social authorities DDASS and especially the prefect, lost their competency to decide on any matter or question related to the implementation of the RMI and the execution of the service- and control tasks related with this function. For the governmental bodies of the *Départements*, the *Conseil généraux*, the decentralization in turn brought about the need to organise the fulfillment of their new tasks. In most cases this meant a need for fundamental restructuring and often extension of the *Départements*' social services. In this respect, the individual *Départements* except for some legal constraints like notably the installation of an integration manager (*Référent d'insertion*) were autonomous in their choices. In consequence, a great variance of organisational models appeared which were as such characterized by different degrees of inner-départemental centralization according to whether the *Départements* social authorities have been are being supported by a wider or stricter network of inner-départemental sub-structures of administrative organization (see below: 3.3).

3.2 Steering logics: Managerialisation vs. politicization

In a perspective on the steering logics underlying the action of public actors with regard to the integration of the long-term, organisational divergence between the German and the French governance arrangements due to the mentioned institutional reforms on both sides of the Rhine becomes manifest also in in regard to the steering and use of the instruments of social help and labour market policy. In this respect, the German case is characterised by a managerialisation whereas the French case is characterized by a politicisation of the steering of policy implementation.

In the German case, the fusion of the former social help and unemployment assistance regimes into the ALG II went hand in hand with a complete recalibration of the steering system of the BA and the logic underlying both the actions of the BA head office in Nuremberg as well as the regional directories and especially the local labour offices. All in all, with the Hartz-legislation it was intended to replace the former bureaucratic structures of the BA by modern management structures and accordingly to effect a managerialist and service-oriented turn in the fulfilment of functions.

In this respect, first, due to the third Hartz-Law which entered into force in January 2003, the BA as an organisation was completely restructured: on its top level, the presidency-assembly-structure was replaced by a modern structure of a board of managers and an administrative board; on its regional level, the former self-governed regional directories were replaced by mere administrative bodies under the direct control of the central office and its executive; and on its local level, the former self-administered local labour offices were replaced by local labour agencies being controlled at arm's length by the regional bodies.

Second, especially, the local labour offices were intended to change in their mode of the fulfillment of functions. They were renamed into local labour agencies (*Arbeitsagenturen*) and internally restructured (introduction of one-stop-counter for all sorts of basic services and a system of job managers exclusively charged with the consulting of the unemployed); on this basis, the local labour agencies were meant to transform into modern, functionally comprehensive 'client-oriented' service centers whose employees no longer follow the traditional bureaucratic logic of legalistic rule enforcement to assure the individual beneficiaries rights and of a correct use of financial resources but a logic of active client- and

service-orientation. Concretely, the change towards this managerial and service-orientation logic was regulated by the introduction of a complex hierarchical controlling-system (the local agencies now being placed under the strict control of the regional labour directories), the 'product'-related budgeting of the local labour agencies' decisions on benefits and services and the introduction of a system of target-driven use of (financial) instruments. As well, service processes were standardized by differentiating between of the unemployed – now the 'clients' – into different target or 'client groups' ("market clients", i.e. easy cases; "service clients activation", i.e. unemployed with little need for assistance; "service clients promotion", i.e. unemployed with more need for assistance; "clients with need for assistance", i.e. unemployed in need for intensive promotion) (Schütz 2009: 169). This overall transformation was completed by a strict 'success'-oriented control of the local labour agencies by the head office of the BA and the regional directories. 'Success' in turn is understood in terms of placement output which means that the local agencies now have an incentive to concentrate on 'good' cases, i.e. unemployed persons with positive prospects for a fast (re-) entry into the labour market (Hielscher 2006).

Within this overall structure, social help and labour market services to the long-term unemployed were concentrated onto a newly created service unit, the so called Jobcenter. They are specifically in charge of services to the beneficiaries of ALG II. Under the conditions of the above described 'normal constellation' of functional distribution between the state and the municipalities, the Jobcenters are integrated into the local labour agencies and form specific separate organisational units of them (today 356 out of a total of 445 Jobcenters in Germany; BA für Arbeit 2011). In the cases of the 'optional communes', the Jobcenters are organized as autonomous local agencies (today 89 out 445 Jobcenters; BA für Arbeit 2011). Basically, the new steering regime – under conditions of the described 'normal constellation' – now resembles the French arrangement of the *co-gestion* of the RMI between the state, i.e. the Prefect, and the *Départements* which was in place since the creation of the RMI in 1988 until its complete decentralization in 2004.

In the French case in turn, a shift towards a politicisation of steering and instrument use was effected by the decentralisation and policy change of the RMI, today's RSA. The *Départements* that, before 2004, were already in charge for the financing additional social services to the 'RMist' are now also competent for the financing of the 'passive' benefit. The decentralization of the function thus brought about a more coherent organization of the financing of the RMI, but it as well brought about a politicisation of the financing function. Even though, it is the President of the *Conseil général* in his double function as leader of the *Départements'* administration and of a representative of the national state on the level of the *Départements* who has to decide on the concession of the benefit in the individual case or on sanctions against the single 'RMist', the *Départements'* democratically elected assembly and political body now has a decisive say on the RMI. It's the assembly, that decides on the *Départements'* budget and annual spending on the RMI/RSA (including benefits and spending on services for the social integration, professional training etc.) and it is also the assembly that decides on the *Départements* annual programme for the implementation of the RMI (*Programme départemental d'insertion, PDI*) which includes the spectrum of more or less costly *départemental* services for the long-term unemployed and instruments for their integration (Kuhlmann et al. 2011: 124).

As far as the fulfillment of the social help and labour market service functions of the *Départements* is concerned, it is – in practice – the executive of the *Département*, i.e. the *Président* of the *Conseil général* and the *Départements'* social authorities, who implement the functions related to the RMI. Yet, as the *Département* now is fully in charge of this social help

regime and the spending on it, the political control of the administrative fulfillment of functions was restricted in many *Départements*. The elected politicians within the *Conseil général* were often in a close contact with the administrative bodies and in many *Départements* the elected *Conseil général* now uses the annually adopted PDI as instrument of political steering of the administration by defining clear political priorities. In some cases, this increase in political autonomy led to a restriction of local integration policy and the move towards sanctioning the 'RMIst' in order to economize (Kuhlmann et al. 2011: 143). Yet, in many cases, the spectrum of instruments of social integration was widened after the decentralization of the RMI and it now generally differentiated between the *Départements*. To reach the overall goal of work-related assistance and fast reintegration of the beneficiaries into the labour market, the French central legislator incited the *Conseil généraux* to closely cooperate with the ANPE and its local branches in order to offer the beneficiaries of the RMI a publicly subsidized work contract; in this respect, the French Code of Work was complemented by the introduction of new subsidized contract instruments, the *Contrat d'avenir* (CA) and the *Contrat d'insertion-Revenu minimum d'activité* (CI-RMA). Yet, the use of these instruments by the different *Départements* social authorities did only rise very slowly after the decentralisation of the RMI and many *Conseil généraux*, from the outset, decided to invest in a proportion of RMIsts' social integration without forcing these mostly 'hard cases' (addict or mentally ill persons; migrants without or with only very little knowledge of the French language; homeless persons etc.) into the active search for work and a fast integration in the labour market (Kuhlmann et al. 2011: 147).

3.3 Structuring of interaction: regulative turn vs. contractualisation

Finally turning to the organisation of interaction between the different actors involved in the implementation of social help and labour market services to the long-term unemployed, divergence between Germany and France due to institutional reforms becomes apparent in respect to coordination on the vertical and horizontal axes of the new governance arrangement.

In the German case, the Hartz-legislation with regard to the vertical axes of coordination brought about a decrease in the formally institutionalised interweavement between the different actors – state/BA, social partners, municipalities – and an increase in formally regulated hierarchical control of the local labour agencies' actions by the head office and the regional branches of the BA now being placed under the states' full control as far as assistance to the long-term unemployed beneficiaries of the ALG II is concerned. At the same time, with regard to the horizontal axes, it also brought about an increase in formally institutionalised interweavement between the state/the BAs' local labour agencies on the one side and the municipalities on the other side at least with regard to the above described 'normal constellation' of functional distribution between the two actors in their relationship vis-à-vis the beneficiaries of the ALG II. The close cooperation between the local labour agencies and the municipalities was enacted and regulated in the Hartz IV-Law. It stated the creation of formal working partnerships, the so called *ARGEN*, between the local labour agencies and the municipalities except for those cases of municipalities who had opted for an autonomous fulfillment of the ALG II-functions (optional communes). The functioning of cooperation of the two actors within the *ARGEN* is formally regulated. They function as the cooperative state-local bearers of the local Jobcenters in non-optional communes and are characterized by their specific inner-functioning related to the implementation of the ALG II – final decision-taking on benefits by the state actors in concert with the municipal actors, and final decision-taking on additional social assistance services by the municipalities in concert with the state actors with the aim to deliver ALG II-related services 'from one source'. From

the point of view of the federal legislator, the formal regulation of these intergovernmental working partnerships was necessary in order to guarantee functional security to the involved actors. By regulating the cooperation, he took the results of former model projects of informal cooperation (namely the so called MoZArT-projects of 2001; Kaps 2009: 198) as an example.

It is important to notice that recent reforms lead to re-adaptation of this constellation which is still unclear in its final effects. Due to a ruling of the German federal constitutional court in 2007, the formal cooperation between the state, i.e. the local labour agencies of the BA-structure, and the municipalities within the *ARGEN* was declared unconstitutional as it was considered by the judges as a break of the basic rules of functional distribution within the German federal state. As a consequence, a constitutional reform was carried out in 2009 brought about an increase in the number of 'optional communes' from initially 69 to 110 and a change of the German Basic Law in order to reconstitute the legal regularity of the *ARGEN*.

In the French case in comparison, the institutional reform of the decentralisation of the RMI equally effected a decrease in the formally institutionalised interweavement of the state and the *Départements* on the vertical axes. This became apparent in the abolition of the formalized cooperation between the Prefect, the DDASS and the *Conseil général* within the arrangement of co-gestion regulated by law. At the same time, the significance of contractual interaction between the two actors increased. The *Départements* are nowadays expected to closely cooperate, among others, with the different state agencies in charge of different service functions in regard to the integration of (long-term) unemployed; e.g. a close cooperation with the local agencies of the former ANPE and today's *Pôle emploi* has been envisaged. On a practical basis, this cooperation is realized by the conclusion of a legal service contract between the two actors, the *Conseil général* as 'buyer' and the respective agency as 'contractor'. In general, the decentralization led to an increase in the significance of contractual partnership coordination on the horizontal axes of the local level of governance. With the decentralization of the RMI, the *départemental Conseil général* now is the general payer of all RMI-related services. Yet as the *Départements* had not been endowed by the central legislator with a competency for the hierarchical control of the implementation of the RMI in concert with its many public and private implementation partners, the *Conseil général* is now fully dependent on the installation of contractual partnerships with other actors like the municipalities or private bearers of social services and associations in order to guarantee for an effective and efficient fulfillment of its tasks.

To sum up, institutional reforms in the functional field of social help and labour market services to the long-term unemployed since the beginning of the 2000s led to a divergence in the organization of public governance of services between Germany and France with the German arrangement becoming more centralized regarding the distribution of functions, managerialist regarding the steering setting and regulated regarding the structuring of interaction, and the French arrangement becoming more decentralized, politicized and contractualised.

4. Understanding change and divergence – a towards a framework for a comparative understanding

How can we explain the just exposed movement towards divergence as regards the organization of the public governance of social and labour market services for the long-term unemployed in Germany and France?

When referring to the (comparative) analysis of institutional reform of the welfare state in general and in the field of social and employment policies in particular (Pierson 2001: 4; Kitschelt et al. 1999; Levy 2005; Siegel 2007; Starke/Obinger/Castles 2008; Clegg 2008) and borrowing theoretical concepts from the study of organisational convergence (“institutional isomorphism”, DiMaggio/Powell 1983; Hassenteufel 2010), at least three approaches towards the development of a theoretically-founded framework for analysing institutional reform policies and explaining divergence can be distinguished (Hassenteufel 2010: 13; see: Ruddat 2011): First, a functions-related approach which refers to the (non-) existence of factual (e.g. socio-economic) problems and according deficits as regards the fulfillment of public functions on the basis of the given institutional framework for organizing public governance; Second, a norms-related approach which refers to the (non-) existence of certain ideas and/or ideal-typical models for the organization of public governance that could eventually be adopted by the actors due to effects of the international diffusion of ideas and the ‘learning’ of news ideas by national actors in the respective functional field; and, Third, an actor-institutions-related approach which refers to the core policy actors’ interests compared to the organization of public governance as well as the actors expectations’ in regard to the organization (its functionality, output, outcome etc.).

Largely, regarding the explanation of welfare institutional change, i.e. the change of “substantive (welfare) policies” (Kuhlmann/Wollmann 2010: 2), all three approaches have gained prominence in the social scientific discussion in recent years: The functions-related approach due to the high relevance of certain empirical findings like the diagnosis of “austerity” as a permanent background for the welfare states’ action in nearly all Western societies (Pierson 2001); the norms-related approach due to the international spreading of the idea of ‘activation’ as a major guiding principle for future welfare states’ actions; and finally also the actor-institutions-related approach due to the insight of scholars on comparative welfare policy that besides many hints for convergence as regards the major principles structuring the welfare state action, national institutional, partisan, etc. particularities continue to be powerful predictors of the outcome of welfare state reforms (Wood 2001; Clegg 2008). As the last mentioned actor-institutions-related approach which partly integrates arguments from the two first mentioned approaches is the only one which hints to *variance* (concerning the actors interests and ideas; and concerning institutions) – and not to similarity – as the basic concept in order to understand welfare institutional changes and their direction, only this approach seems to be equipped with the theoretical munition to explain divergence.

Taking this last approach and its specific conceptual foundation as an initial point, we will, in what follows, develop a framework for the comparative empirical analysis of institutional reform policies in regards to the administrative organisation of the fulfillment of welfare state functions – here the fulfillment of social and labour market services for the long-term unemployed in Germany and France. To do so, we come back to the multiple-streams approach of Kingdon (1984), Zahariadis (2007) and others as a concrete theoretical fundament as this approach partly integrates arguments from also from the functions- and the norms-related approaches. Due to our framework – even though its explanatory significance cannot be tested in this article as own empirical research on its basis is still missing – it should become possible to gain an understanding of diverging trajectories as far as the reform of the public governance of social and labour market services in Germany and France are concerned. In a first instance, the theory will be explained and the conceptual basis for a Franco-German comparison of institutional reforms and divergent change will be laid, in a second instance – based on insights from secondary analysis – the methodological and empirical avenues for further research on the question of explaining divergence will be drafted.

4.1 The MS-approach: a theoretical basis for empirical research on divergent reform trajectories as regards the governance of social help in Germany and France

Looked at from the conceptual lens of theories which are interested in an actor-institutions-related approach to the explanation of public policies and policy-making, two distinct perspectives being identical with two abstract scenarios of change are generally feasible. On the one side, proponents of an ‘entrepreneurial perspective’ – referring to the idea of a prevailing logic of consequentiality (March/Olson 1984) – would argue that institutional reform-makers, on the basis of their institutionally varying opportunities, take decisions for institutional change either because they strive for the installation of ‘better’ institutions i.e. more efficient and/or more effective institutions, e.g. in a professional sense (DiMaggio/Powell 1983: 151), or because they strive for higher personal gains (electoral legitimacy; professional gratification etc.). On the other side, proponents of a ‘path dependency perspective’ – making reference to the idea of a prevailing logic of appropriateness – would argue that institutional reform-makers take decisions for (incremental) institutional adaptations because they stick to their routines and the ‘secure’ returns they can expect from the institutional system within which they are operating (DiMaggio/Powell 1983: 152; Pierson 2000; March/Olsen 2009).

Seen from the first perspective, the functional or professional (e.g. as bureaucrats) or political interests of some actors who behave as active reform-makers or reform agents are most important in order to understand change. Depending on the institutional framework conditions for action such pro-active reform-makers find and depending on other factors like e.g. sudden events or the existence of ‘good models’, these actors will more or less ‘successful’ in the realisation of their reform goals; the possible result may be one of a more or less consequential, radical change. Seen from the second perspective, the reform-makers’ and affected actors’ ability to deal with uncertainty is most important to understand change (DiMaggio/Powell 1983: 151). In this respect, depending on the institutional framework conditions for the action of affected actors to spell out their veto against change and as well depending on the capacities of potential veto-players to organize support coalitions e.g. amongst partisan supporters or interest groups and still further depending on additional factors like the time-bound situational conditions for reform, these actors are more or less ‘successful’ in blocking, diverting or mitigating the possible initiation of radical reforms; with the possible result of more or less continual, path-dependent change.

The general argument here shall be that the respective reform choices leading to divergence in Germany and France can be understood as the result of two different logics for reform which have dominated the making of institutional policy in the two cases: Whereas in Germany (radical) institutional reform of governance in the functional field of social and labour market services for the long-term unemployed was a ‘by-product’ of radical reform of substantive policies in this field, in France institutional reform – first and foremost decentralization of the RMI – was intended as one further step in an already ongoing process of institutional reforms of the (welfare) state notably via the decentralization of diverse public functions and the modernization and professionalisation of public administrations on the subnational levels of government. Against this background, in the German case, public governance reform became possible due to the crossing of certain situational conditions at the beginning of the 2000s (politically unacceptably high rates of (long-term) unemployed; a personal commitment of the social-democrat chancellor to implement reforms and radically reduce unemployment; the sudden event of the placement scandal shaking the BA in 2002), whereas in the French case, change (decentralization and local institutional change) depicted a ‘normal’ further step on a continual reform trajectory which was promoted by this existence of favorable political

conditions at the beginning of the 2000s (presidential elections of 2002) but which qualifies by path-dependence regarding each of the three dimensions of change.

To understand the complex dynamics of political entrepreneurialism and initiative-blockage in the course of institutional reform policies in the two cases under scrutiny here, we will go back to the multiple-streams approach of John Kingdon and Nikolaos Zahariadis and others. This approach from policy-analysis exhibits a theoretical avenue to gain an understanding of change as a general option, of its intensity in concrete cases of reform and of its direction. It therefore seems well equipped as an approach for a comparative analysis of change and institutional divergence not only regarding “substantive policies” (Kuhlmann/Wollmann 2010: 2) but also regarding institutional reform policies (ibidem.). Basically, the MS-approach starts from the hypothesis that (radical) policy reform is possible and can be expected to come about at the crossing of three different streams: the problem-stream, the policy-stream and the politics-stream. According to Kingdon, the problem-stream depicts the spectrum of all (actual) problems which might make their way on the political agenda of a given state; the policy-stream delineates all policies or policy ideas and solutions to certain problems which reform-actor (politicians and/or bureaucrats) have at hands and which they can in principle draw out of the drawer or pick out of the garbage can at any given moment in time; and finally the politics-stream depicts the constellation of actors and interests being in place at the moment of crossing of these three streams and determining whether ‘the right policy’ for the actually given problem will finally make it from the political agenda into the stage of its implementation. The crossing of the three streams in turn, is assumed to take place, especially in extreme moments, e.g. in situations of crisis weighing on the legitimacy of elected politicians and/or bureaucrats, or in situations of external shocks like natural catastrophes etc. In these situations, policy entrepreneurs – so the argument of the approach goes – get the opportunity to bring their preferred policy options onto the agenda and possibly organize consent amongst the political and administrative actors in order to get the respective reforms adopted and implemented (Zahariadis 2007).

When being transferred to institutional reform policies in respect to the public governance of social and labour market services for the long-term unemployed in Germany and France, the approach suggests that – after an identification of relevant actors at the time of reform at the beginning of the 2000s – the factors (i.e. problems, policy options and the constellation of the actors interests) conditioning the adoption of institutional change in respect to functional distribution, steering and the structuring of inner-/intra-arrangement interaction have to be identified.

4.2 Public governance of social and labour market services for the long-term unemployed in Germany and France - Understanding change and divergence

In the case of Germany, major actors in respect to institutional reform policy in this functional field of the welfare state were: the federal government, represented first and foremost by the ministry of labour, but also by the chancellor of the red-green coalition, Gerhard Schröder; the federal state governments as major institutional veto-players via the Bundesrat, the federal constitutional court, another institutional veto-player; the social partners (trade unions/DGB; and employers union/BDA); the municipalities and counties represented by their unions; the different party fractions in the German Bundestag (parliament); the BA – especially its central office in Nuremberg; and a number of scientific and economic experts, becoming involved into the process of reform-making due to the decision of chancellor Gerhard Schröder to install the so called Hartz-Commission.

In the case of France, the spectrum of actors was much narrower. Here decentralization reform actors were first and foremost the central state government represented by the ministry for labour; the president of the republic; the Départements represented in the Senate, in the Assemblée Nationale and represented also by their unions like the Association des Départements de France as a direct interest-actor and potential veto player of functional and administrative reform policies vis-à-vis the French government; and some independent institutions assembling experts like the Cour des Comptes or the Igas.

The problem-stream

Taking the MS-approach as a basis, an empirical research on reform-making process should first identify the problem-stream i.e. the problem background for governance-reforms in both cases. In this respect, Germany and France at the beginning of the 2000s both had to face high rates of unemployment with particularly high numbers of long-term unemployed and beneficiaries of social help. Additionally, in both cases (long-term) unemployment – which did not decrease but increase during the late 1990s notwithstanding a number of policy changes – was widely recognized as a structural problem of the welfare state both by scientific experts and policy-makers on both sides of the Rhine. A steady increase of the unemployment rates of Germany and France during the 1990s and unemployment rates of 11,7 per cent in Germany (Bothfeld et al. 2009: 298-299) and 10,0 per cent in France respectively in 1999 (INSEE 2011) as well as a part of more than 35 per cent of long-term unemployed amongst all unemployed in both cases in the same year could as such be interpreted as a strong incitement for radical reforms concerning not only the social help and labour market policies as such but also the public governance arrangements for their implementation being not able to guarantee an efficient and effective placement. Yet, in Germany as compared to France, a number of situational factors merging into a strong incitement for such governance reforms met at the beginning of the 2000s.

First, like in French case where the Ministry for labour, François Fillon, installed a national conference for equal chances and integration of needy persons into the labour market, the social-democrat-green government of chancellor Gerhard Schröder being elected in 1998 also went for policy-making within the traditional institutional framework of governance by installing a concerted action (“Bündnis für Arbeit”) between the Federal government, the trade unions and the employers union in 1999. Yet, these initial steps to find an answer to high unemployment on the fundament of a concerted action for economic steering failed in 2001 due to hardened position of both trade unions and employers concerning the macro-economic conditions for growth and employment in the field of wage policies. Second, in this situation, in view of the federal elections of 2002, chancellor Schröder publicly committed himself to halve unemployment by 2 million persons within a very short time in case of being elected and had brought himself as a policy entrepreneur under extreme pressure for reforms. Third, in January 2002, the German financial audit court revealed serious failings of the Federal Labour Office, the BA, in its statistical report on unemployment and on its placement success (“placement scandal”). And fourth, a high, yet less publicly debated pressure for reform also came from the German municipalities who found themselves in a strong budgetary crisis by the end of the 1990s and lobbied for a federal solution especially to disburden them from excessive costs for social spending (social help) (Kaps 2009; Hassel/Schiller 2010). All in all, a high and at the same time multi-faceted problem pressure which could be interpreted by the policy-actors to have its sources at least partly in the institutional foundations of the public governance arrangement of social help and labour

market services for the long-term unemployed, formed the background for radical organizational reform especially in the German case by the beginning of the 2000s.

The policy-stream

Regarding the policy stream, things turned out to be as well rather exceptional in the German case and rather ‘normal’ in the French one.

In Germany, after the failure of the Bündnis für Arbeit in 2001 which was seen to have become even more grave due to the failure of its revitalization in 2002 directly following the federal election of 2002, newly elected chancellor Gerhard Schröder declared to search for policy solutions elsewhere. Given that a ‘normal route to reform’ seemed to be out of reach as the time was short to act in order to ‘encash’ the pre-election commitment to a quick and radical reduction of unemployment after the elections of 2002 and as the actors normally involved in public policy-making in the field of labour market policy (especially the social partners) had signaled an intransigent position, the federal government, namely its executive center at the chancellery decided to mandate a completely new body – the so called Hartz Commission under the conduct of the former staff manager of the *Volkswagen AG*, Peter Hartz – with the elaboration of concrete proposals for policy reform. The Hartz commission which started its work in February 2002 and presented its final report in August 2002, proposed a broad package of reforms which became known under the title of ‘Hartz-concept’ and which was taken on by chancellor Gerhard Schröder in his government declaration of march 2003, the so called “Agenda 2010”. Parts of the Hartz-concept were: the proposition to merge the former municipal social help and the unemployment assistance into the new ALG II; the proposition radically reform the Federal Labour Office and convert it into a modern service agency; and to concentrate the new ALG II-function on the local level at one unique authority or local service agency, the so called Jobcenter. These propositions for a radical and at the same time NPM-inspired reform of the governance arrangement for the fulfillment of social and labour market services for the unemployed in general and the long-term unemployed in particular may owe to the fact that the Hartz-Commission as an exceptional body for policy-formulation consisted first and foremost of single actors who were not part of the normal decision-making constellation and process of German labour market policy (Ruddat 2011: 227-228). At the same time, they were for the most parts were either scientific experts on public policy and administration or representatives of private consulting firms or representatives of German industry i.e. of certain big firms and banks like the Deutsche Bank (9 of the 15 members of the commission had such a background).

In the French case in turn, policy-formulation and policy-making in regard to the decision of the French government in 2003 to decentralize the RMI in 2003 and, at the same time, to create new policy instruments in favour for a better integration of long-term unemployed into the labour market like the CI-RMA in 2004, did not take place under such ‘exceptional conditions’. The formulation of policy reforms in regard to the social integration and employment policy for the long-term unemployed and especially the RMIst took place within the French ministerial bureaucracy and was, at the outset, being influenced by regulatory and policy ideas circulating within the European Union and amongst the national ministries for labour of the EU member states in the context of the European employment strategy (Levy 2005: 122) which had been put into effect by the head of states and presidents of the member states at their intergovernmental summits in Amsterdam and Luxemburg in 1997. Reform proposals straightforwardly directed towards institutional reforms regarding the organization of service fulfillment in the social integration and labour market sector did not form part of this strategy; yet, its national implementation was reached in most member states via the

implementation of policy projects and measures being co-financed by the European Social Fund and/or the European Regional Development Fund on the local levels of government (Kißler/Zettelmeier 2005). The full decentralisation of the RMI and, in this context the professionalisation and modernisation of local administrations as an integral part of the public service and the reduction of social *dirigisme* was on the central states' policy agenda for long (Levy 2005: 122-123); the successful implementation of such EU co-financed projects and also the 'successful' experimentation with decentralized instruments (e.g. PAIO) were, among other things, only further arguments for a restart of institutional reforms in this functional field of the welfare state.

The politics stream

As far as, finally, the politics stream is concerned, some authors with regard to the German case argue that radical reforms concerning the substance of German social and labour market policy (instruments, goals) and also concerning its implementation and administration became possible due to the strategy of the federal government and especially the chancellor to take the main actors of social and labour market policy by surprise e.g. with the installation of the Hartz-Commission but also with a very high pace of reform and the very quick announcement of Gerhard Schröder in the government statement regarding the report of the Hartz-Commission in September 2002 to "implement one by one" the Commissions' proposals (Ruddat 2011: 227-228). Yet, reform proposals which had been brought to the political agenda in 2002/2003 had still to pass the normal processes of decision-taking on the basis of the federal institutional framework for legislation. In this respect, the federal government could in principle count on the consent of the municipalities regarding the reform elements of the Hartz-concept directed towards a reform of the institutional foundations for the future fulfillment of social help and labor market services as the envisaged reforms (merge of social help and employment assistance) went in favour of one of their main policy goals i.e. being discharged of the high costs of social help (Hassel/Schiller 2010). Yet, many municipalities, especially the big cities, were equally interested in keeping their autonomy in respect to local employment policy initiatives (Kaps 2009). With this policy interest, they could count on the support of some German Länder governments, namely the government of the Land of Hesse, who argued in favour of fully decentralising the function of placement services for the long-term unemployed to the local level of government. As an institutional veto-player, German Länder could reach a reform of the Hartz IV-law and the installation of the 69 so called optional communes shortly after the entering into force of Hartz IV in January 2003; the revised law entered into force in January 2004. The social partners on their part expressed different views on the policy contents of the Hartz-concept. Especially in respect to the central idea of the Hartz-concept to restrict the new public benefit (ALG II) for persons being unemployed for more than 12 months to the level of the former social help (about 356 Euro) and to couple its acquisition to hard means-testing and the duty for all beneficiaries to accept every work proposal of the local employment agencies and reenter the labour market as quick as possible, the trade unions expressed their strong opposition whereas the employers union were mostly favourable. In respect to the ideas for an organizational reform of the public governance of social and employment help, they were yet rather indifferent; only in the course of the later debate about decentralization and the creation of more optional communes following the ruling of the federal constitutional court which in 2007 declared the unconstitutional the regular formal cooperation of the local employment agencies and the municipalities in the framework of the ARGE, employers declared themselves to be favourable with a further decentralization of the organization of public governance (Schroeder/Schulz 2009: 234). In general, for the social partners, it was more important to keep their competencies for the self-government in respect to the unemployment insurance

than to wonder about the assistance regime for the long-term unemployed or ‘outsiders’ of the labour market whom they considered to be the clientele of the state.

In the French case, the decentralization of the RMI and its reform by the introduction of new instruments – publicly subsidized work contracts like the CI-RMA – was mostly a matter of the central state – the ministry for labour – and the local governments – the Départements. Due to the strict functional separation of the unemployment insurance UNEDIC/Assédict (being completely self-governed by the social partners), the placement service of the state-controlled ANPE and the social help function of the deconcentrated state-controlled DDASS, the prefectures and the Départements, the social partners were not interested in institutional reforms in the field of social help for the long-term unemployed whom – like in the German case – they considered to be the ‘natural clientele’ of the states’ social services (Palier 2002). The French Départements in turn, in 2003 were quite favourable vis-à-vis the idea to become fully competent for the implementation of the RMI. They were generally dissatisfied with the malfunctioning of the co-gestion regime for the implementation of the RMI and considered the fact that the RMI – in contrast to many the social help regimes (minima sociaux) – had not been given into their hands directly at the time of its creation in 1988 as an expression of inconsequent-reforms of the central state regarding the decentralization policy (Reiter et al. 2010; Kuhlmann et al 2011). They therefore could easily accept the envisaged reform and first and foremost were interested in getting an acceptable financial compensation for fully taking over the RMI in 2004.

The just exposed elements more than delivering ‘hard’ empirical evidence for the argument whereby divergence can be understood as resulting from the dominance of varying logics for institutional reform policies by the beginning of the 2000s – rather ‘exceptional’ conditions for reform-making in the German case and rather ‘normal’ conditions in the French case – mostly deliver anecdotal evidence. Their significance has thus to be scrutinized by means of in-depth empirical case studies which systematically analyse the impacts high problem-pressure, policy choices and actors behavior regarding the institutionalization of public governance arrangements in the functional field of social and labour market policy for the long-term unemployed. Yet, the presented elements may nevertheless open up concrete avenues for further truly empirical research on the question of governance reform and divergence in the two traditionally Bismarckian continental European welfare states Germany and France.

5. Conclusion

To conclude, institutional reforms in the functional field of social help and labour market services to the long-term unemployed since the beginning of the 2000s led to a divergence in the organization of public governance of services between Germany and France with the German arrangement becoming more centralized regarding the distribution of functions, managerialist regarding the steering setting and regulated regarding the structuring of interaction, and the French arrangement becoming more decentralized, politicized and contractualised. In the case of Germany, the choice for a centralized, managerialist arrangement of the public governance of social and employment services to the long-term unemployed may have undesirable effects on the capacity of the welfare state to effectively integrate this group of unemployed into social life and the labour market as the newly institutionalised arrangement, as compared to the former arrangement, distinguishes itself by a less flexible structure, by the production of more standard solutions which often are not apt especially to the needs of the ‘outsiders’ of the labour market and by the incitement of local

labour agencies to orient their service capacities towards those ‘clients’ whose re-integration into the labour seems easily to be reached.

When taking on an actor-institutions-related approach and referring to the multiple-streams approach of policy-analysis divergence can be understood as the effect of the dominance of varying logics for institutional reform policies by the beginning of the 2000s. The rather ‘exceptional’ conditions for reform-making in the German case as regards the significance of the problem-load felt by the actors, the policy-options at hands and the constellation of political conflict in the functional where contrasted by rather ‘normal’ conditions in the French case. In order to test this argumentation further empirical research has to be carried out.

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