Explaining Path Dependency and Deviation by Combining Multiple Streams Framework and Historical Institutionalism: A Comparative Analysis of German and Swedish Labor Market Policies

Florian Spohr

To cite this article: Florian Spohr (2016) Explaining Path Dependency and Deviation by Combining Multiple Streams Framework and Historical Institutionalism: A Comparative Analysis of German and Swedish Labor Market Policies, Journal of Comparative Policy Analysis: Research and Practice, 18:3, 257-272, DOI: 10.1080/13876988.2015.1122210

To link to this article: http://dx.doi.org/10.1080/13876988.2015.1122210

Published online: 11 Jan 2016.

Submit your article to this journal

Article views: 327

View related articles

View Crossmark data
Explaining Path Dependency and Deviation by Combining Multiple Streams Framework and Historical Institutionalism: A Comparative Analysis of German and Swedish Labor Market Policies

FLORIAN SPOHR
Faculty of Social Sciences, Ruhr University Bochum, Bochum, Germany

(Received 28 August 2014; accepted 31 October 2015)

ABSTRACT This article shows that combining the multiple streams framework with historical institutionalism can help improve both the understanding and explanation of far-reaching, path-departing policy reforms. This argument is illustrated using two case studies that deal with activating labor market reforms in Germany and Sweden. This comparison highlights that path dependency prevails until policy entrepreneurs use political windows to manipulate the policy-making process by altering policy discourses and thinking until the new paradigm is made compatible with the old order.

Keywords: John W. Kingdon; multiple streams; historical institutionalism; comparative case study; labor market policy; path dependency; welfare reform

Introduction

John W. Kingdon’s multiple streams framework (MSF) is appropriate for the explanation of contingent processes and far-reaching change by considering agenda-setting as the result of the coupling of three relatively independent streams – problems, policies and politics – during an open window of opportunity (Kingdon [1984] 2003). However the framework is insufficient in explaining policy stability or path dependency, which implies that certain courses of political development, once initiated, are hard to reverse (Pierson 2001, p. 414). This is related to the fact that the MSF pays little attention to the institutional context of decision-making. Kingdon took American political institutions for granted, and the MSF is grounded in the behavioral tradition of political science.
(Schlager 1999, p. 247). Although institutions channel and shape participants’ behavior and help to determine which solutions reach the agenda, Kingdon’s model only refers to the fluid, changeable aspects of politics (Mucciaroni 1992, p. 466). This paper aims to combine the MSF with historical institutionalism (HI) to explain path dependency and deviation. HI emphasizes the path-dependent qualities of institutions (Cox 2001, p. 474) and argues that change in well-institutionalized polities is likely to be both incremental and bounded.

In the next section, the path dependent impacts of institutions as well as mechanisms for institutional change are introduced. In the third section, the framework is elaborated further by two case studies that deal with “activating” labor market reforms in Germany and Sweden. The argument is that path deviations need first a change in policy stream, and second a window of opportunity and strategically skillful policy entrepreneurs. The paper concludes with a summary of the results and a plan for future research.

A Framework for Analyzing Path Deviation

The objective of this paper is to provide a framework for the explanation of path dependency and deviation. The argument here is that path deviation, which is the reversing of self-reinforcing processes, needs to fulfill three criteria. First of all, a change in policy stream due to competitive pressure or learning processes, which challenge the reproductions of institutions and path-dependent evolution of ideas. Second, a window of opportunity, which opens either in the problem stream as an exogenous shock, or in the politics stream by a weakening of influence by elites or changes in actors’ values or beliefs. Third, policy entrepreneurs need to apply techniques of path shaping and blame avoidance.

The policy stream includes ideas or policy alternatives that compete to win acceptance by policy communities. To do so, alternatives have to fulfill two criteria – namely, value acceptability and technical feasibility – which means that policies have to be implementable in order to be selected (Kingdon [1984] 2003, pp. 131–132). Since technical feasibility involves compatibility with existing structures (Rüb 2009, p. 355), institutions are important for this criterion. Independent of their feasibility, ideas that do not conform to the values of policy-makers are less likely to be considered for adoption. Alongside the argument of HI, that goals actors pursue are shaped by the current institutional context, it is assumed that institutions shape the common understanding of equity, which is part of value acceptability (Kingdon [1984] 2003, pp. 136–137). Institutions are reproduced because actors believe they are morally just or appropriate. Furthermore, policy-makers evaluate the efficiency of alternatives. They concern themselves with the costs and benefits, whether these benefits justify the costs and whether they could be achieved at lower costs. Actors choose to reproduce even sub-optimal institutions through rational cost–benefit assessments, because any potential benefits of transformations are outweighed by the costs (Mahoney 2000, p. 517). Thus, initial choices increase the cost of adopting once-possible alternatives. Large set-up or fixed costs, learning effects, coordination effects and adaptive expectations all encourage actors to focus on a single alternative (Pierson 2001, pp. 414–415). In sum, as long as established institutions fulfill the criteria of fairness and efficiency, they have a self-reinforcing effect, with the evolution of policies being path-dependent.
Mahoney (2000, pp. 517–518) also points out mechanisms of change which can be applied by the MSF. An increased competitive pressure can trigger change in the policy stream, when it is no longer in the interest of actors to follow a distinct path. Learning processes, which help rational actors anticipate negative consequences and encourage them to absorb short-term costs, have a comparable effect. Exogenous shocks may act as a problem window, and a weakening of elites can induce change in policy communities or in the politics stream. Similarly, changes in the values or beliefs of actors affect the selection criteria for ideas.

The structure of policy communities may also provide an explanation for path dependency and deviation. Whether an idea will move to the top of the community’s agenda depends on its degree of integration and the mode of interaction. In integrated communities, which resemble long-lasting and stable advocacy coalitions within policy subsystems as defined in the Advocacy Coalition Framework (Sabatier 1998), ideas tend to be worked out internally, before being aired in public. Slow entry into the stream is expected (Zahariadis and Allen 1995, pp. 75–77). Furthermore, the involvement of organized interests in policy-making changes the interaction mode in the policy stream, which tends to be arguing, where self-interest is offset by an orientation towards common interests (Rüb 2009, p. 357), to bargaining, defined by the pursuit of actor self-interest and adversarial exchange. Outcomes are characterized either by deadlock or by lowest common denominator solutions. This hampers change and favors path-dependent evolution of policies. Punctuated-equilibrium theory assumes a politics of adjustment with incremental change resulting from bargaining among interest mediation. Change occurs when sufficient pressures may lead to a massive intervention by previously uninvolved actors and government institutions (True et al. 1999). In these communities, ideas are more likely to enter the policy stream quite abruptly without regard for continuity with pre-existing policies (Zahariadis and Allen 1995, pp. 75–77). Faced with conflicting opinions from experts, politicians will have to decide whom to regard as authoritative, and the policy community will engage in a contest for authority over the issues at hand (Hall 1993, p. 280).

It is argued here that change in policy stream is a necessary, but not sufficient condition for a path deviation. Hall (1993, p. 289) states that although the changing views of experts may play a role, the movement from one paradigm to another is likely to be preceded by significant shifts in the locus of authority over policy. The outcome will depend on positional advantages of competing factions within a broader institutional framework, and on exogenous factors affecting the power of actors to impose their paradigm over others.

Likewise, windows of opportunity and policy entrepreneurs can trigger change. On the one hand, windows of opportunity can open in the problem stream. Such problem windows are potential mechanisms of change when established institutions turn out to be problematic in themselves. On the other hand, windows can open in the politics stream. Swings in the national mood can affect an institution’s legitimation, and elite groups that benefit from existing arrangements and used its additional power to expand the institution further (Mahoney 2000, p. 521) may be weakened.

Under conditions of institutional stickiness, blame avoidance for unpopular policies is an important strategy for the successful enacting of path-deviant policies (Weaver 1986; Pierson 1996). To lower the visibility of such reforms, the prospects of changing institutions may be of great significance, if advocates can restructure the way in which trade-offs between taxes, spending and deficits are presented (Pierson 1996, pp. 177–178).
Policy-makers are likely to delegate a blame-generating decision to someone else, for example to a commission or another actor at a different level of governance. If a politician cannot pass the buck for an unpopular decision, then another tactic is to find a scapegoat by claiming that the action was made necessary by someone else (Weaver 1986, pp. 386–387). Furthermore, the advocates of reform need to employ strategies to overcome the skepticism of others and persuade potential allies of their necessity. To “shape the path” necessary to enact reforms, they must create a discourse in an area of policy to establish new grounds for evaluating the legitimacy of new policy proposals, because doing so serves as a cause for policy reform (Cox 2001, pp. 474–475). Ideological framing contributes to path shaping. Experts and political actors frame alternatives in ways that could increase their popular support. Political actors draw on such repertoire to construct frames aimed at convincing the population to support the policy alternatives they put forward (Béland 2005, p. 2). Similar problem representation makes a difference in what people perceive to be losses or gains and helps entrepreneurs to establish their interpretation in a fluid situation (Zahariadis 2007, p. 77). Political actors try to control the prevailing image of the policy problem by rhetoric, symbols and policy analysis (Baumgartner and Jones 1991, p. 1045).

A Reorientation towards Workfare in National Labor Market Policies

This argumentation will be investigated in two case studies dealing with far-reaching and path-deviant “activating” labor market reforms, implemented in Germany by the coalition of the Social Democratic Party (SPD) and the Green Party from 2003 onwards and in Sweden by the conservative Alliance for Sweden, starting in 2006. The core of activating policies is the concept of workfare, which aims for a rapid integration in work. Appropriate measures are the dependence of granting of benefits on job search activities, stricter availability criteria and sanctions for non-compliance. Due to its explicit focus on integration in the labor market, activating policies cause an enhancement of commodification, a conditionality of social rights and a flexibility of labor markets (Dingeldey 2007).

Labor market reforms in Europe provide excellent cases against which to test the argumentation above, since they are characterized by a high degree of path dependency. The two selected cases contrast the assumed difficulty of accomplishing significant change. While in Germany the reforms meant a partial departure from the conservative welfare regime, the workfare reforms by the Alliance for Sweden took the form of a deviation from the universalistic, de-commodifying Swedish welfare state (Spohr 2015, p. 265).

Furthermore, labor market policies in Europe are appropriate to test the thesis that competitive pressure or policy learning precedes path deviation. On the one hand, competitive pressure is enhanced among European Union member states, since the removal of discriminatory trade barriers by legal provisions has a market-creating and deregulating effect. Market integration by transnational mobility of goods, manpower and capital changes national opportunity structures. Exit options in a common market without harmonized taxes alter the efficiency of national economic and social policies, and promote liberalization of labor markets. This is reinforced by the Maastricht convergence criteria, which reduces the national budget for social policies (Leiber and Schäfer 2008, p. 122).

On the other hand, the European Employment Strategy (EES), which aims at establishing a common European policy community, facilitates policy learning by systems of
benchmarking and performance monitoring. The EES promotes an agenda of market enhancing financial sustainability and workfare policies by cutting benefits and imposing stricter conditionality upon the receipt of benefits, without explicit institutional pressure for national adoption (Büchs 2008, pp. 771–772). The Organisation for Economic Cooperation and Development (OECD) provides another forum to identify best practices, similar to the EES. In its employment policy, the OECD guidelines and recommendations support liberalization and deregulation of labor markets as well as retrenchment of social benefits.

In sum, policies that include redistribution via taxes or contributions or secure employment protection are expected to sink to the bottom of national policy streams while activating and commodifying policies are likely to rise up. However, since policy change is the result of domestic politics, the question is the extent to which these external influences are filtered or modified by domestic settings. According to the framework set out above, agenda-setting for these policies needs a change in national policy streams, policy entrepreneurs promoting these policies, and a coupling of the three streams during an open window of opportunity.

Policy Streams and Mechanisms of Change

The argument is that path deviation requires a change in policy stream that challenges the institutionally shaped criteria for policy selection. Furthermore, the successful uptake of new ideas is fundamentally linked to the structure of policy communities.

In Germany, the evolution and selection of policies are shaped by the contribution-based Bismarckian social security system. Since most social benefits are attached to contributions and therefore tied to formal employment, the pursued equivalence of contributions and benefits results in a pronounced status preserving function of labor market policies, which is affecting the acceptance and feasibility of activating policies. On the one hand, the conditionality and retrenchment of benefits is hampered because property rights secure the contributors’ entitlements. Unemployment benefits functioned as wage substitution rather than simply a social security benefit. In order to preserve benefits for insured workers, the reduction in benefits fell harder on groups with weaker attachments to the labor market, such as part-time and younger workers (Cox 2001, p. 491). On the other hand, to secure employment of the privileged contribution payer during periods of rising unemployment, the priority was on excluding certain groups from the labor market by creating incentives like early retirement and tax advantages for housewives (Heinze 2006, p. 53). Consequently, the 1980s were dominated by attempts to reduce working time, establish early retirement schemes and curtail women’s labor market participation.

However, this resulted in a low employment rate and higher social expenditures, which became problematic due to demographic changes and budget deficits, particularly as it is considered a competitive disadvantage in the European Common Market as the measure increased non-wage labor costs. By the early 1990s, the lack of fundamental reform in social policy laid the groundwork for a major domestic debate over German business competitiveness on the world market. The highly regulated labor market and steep social insurance taxes were at the center of the debate, with employers arguing that high benefits dampened worker productivity (Cox 2001, p. 491). As a result, the goal of increasing employment was added to the goal of lowering unemployment. This changed the selection criteria for labor market policies, which from then on had to contribute to consolidating
the national budget and shoring up international competitiveness. Therefore, deregulating and activating policies experienced an increased profile in the German policy stream as early as the mid-1990s. Thus, the change to activation was grounded in the time before the election of the coalition of the SPD and the Green Party (Heinelt 2003, p. 138), but only materialized in incremental reforms that were path dependent, as they followed the constitutive principles of German social insurance. Path dependency manifested most visibly in the maintenance of income-oriented benefits and the parallelism of the contribution-based Arbeitslosenhilfe (unemployment assistance), which was based on the last income, and the means-tested Sozialhilfe (social benefit). This dualism resulted in different benefits for the long-term unemployed, according to whether they were previously regularly employed or not.

The maintenance of path dependency could be inferred from the structure of the German corporatist policy communities. Corporatism is an institutionalized pattern of policy formation in which large interest organizations cooperate among themselves and with public authorities (Lehmbruch 1979). This resulted in two developments, which discouraged path-deviant policies. Firstly, German corporatism is characterized, on the one hand, by its selective and restrictive incorporation of actors, and, on the other hand, by its policy-specific composition of ministers, parliamentarians, members of the civil service, and representatives of the trade unions and employer representative groups (Czada 2003, p. 61). Particularly within the labor market policy subsystem, interest groups’ representatives are included in the policy formation process. Accordingly, corporatist communities were perennially homogenous and closed to the inclusion of new actors and ideas, which resulted in reduced contingency and strengthened path dependency. Rather than a policy stream with the fluidity of a “soup”, Germany’s policy stream rather resembled a viscous “stew” that is much more resistant to new ideas (Zahariadis and Allen 1995, p. 88). Thus, policy change was often pre-structured by negotiations between unions and employers’ associations. Because of the incorporation of organizations, the mode of interaction was less argumentative and more conciliatory through bargaining. Accordingly, the social partners could only reach settlements, as long as the negotiations had the character of a non-zero-sum game. Thus, corporatism enabled a non-parliamentary redistribution of costs and benefits, financed by the government (Czada 2003, p. 41, 53).

However, in the context of the crisis of the welfare state and the goal of cost containment, the character of the negotiations changed to a zero-sum game. As a result, the corporatist bargaining no longer led to agreements over controversial issues. This is starkly illustrated in the case of the “Bündnis für Arbeit”, a tripartite social pact for enhancing employment and competitiveness in 1998. The pact delegated a benchmarking group to identify proposals for an enhancement of the employment rate through a comparison of experiences from other countries. The group eventually suggested reducing non-wage costs for low-skilled jobs, as promoted by the EES guidelines, and widening the low-pay sector by non-tariff zones in combination with a negative tax. Additionally, to strengthen the incentives to take up low-paid jobs, eligibility criteria should be tightened and the two benefits for long-term unemployed, Arbeitslosenhilfe and Sozialhilfe, should be integrated at a low level (Fels et al. 1999). In the end, the proposed concepts of the benchmarking group failed to rise to the top of the corporatist policy stream, due to resistance by trade unions which were convinced that promoting a low-pay sector would erode standard wages (Patzwaldt 2007, pp. 218–220). The proportional
interest representation in the pact’s steering committee resulted in a permanent stalemate, as the social partners were unwilling to make concessions (Schmid 2003, p. 73).

While in Germany, because of the Bismarckian social security system, priority on employment of the (male) breadwinner prevailed, full employment has always been a normative and economic goal in Sweden. Not only are the Swedish principles of equity, universalism and equality pursued by the inclusion of the whole population in work, full employment is a necessity for the financing of the universal welfare state, as social expenditures and the total tax burden in Sweden are among the highest in the world. As a consequence of the goal of full employment, the priority of employment over benefits – the “work-first” principle – is institutionalized (Jochem 2009, p. 8; Kangas and Palme 2009, p. 70). Therefore, active employment policies have a priority over transfer payments and pushing people into work has always been at the center of Swedish labor market policies. Since the Swedish welfare state encourages rapid reentry into the job market, unlike Germany, it has hardly any institutionalized protection of status. Additionally, the relatively low level of social stratification eases the conditionality of social rights. Given these conditions, activating policies are technically feasible in Sweden. However, as long as full employment remained, this was hardly paid attention to. Thus, activating welfare policies remained at the bottom of the policy stream in the era of prosperity and decommodification from the 1960s through the 1980s but became more prominent again since the recession in the 1990s (Wadensjö 2007, pp. 140–142, Schwarze 2012, pp. 241–242).

During the tumult of currency devaluations, rising inflation and declining economic growth, neo-liberal norms successfully permeated Swedish policy communities. Economic debates were dominated by the idea of Swedosclerosis, which was critical of the Swedish welfare state for its role in undermining Sweden’s international competitiveness, and causing Sweden’s economic growth to lag behind comparable countries. By the end of the 1980s, this argument became widely accepted, although its empirical basis has been questioned. Nevertheless, in the 1990s, Sweden experienced a severe economic recession, which put heavy pressure on public expenditures. Additionally, further European integration threatened the financial basis of the Swedish welfare state. The increasing mobility of goods and employees in the European Single Market had a potential to render the high level of taxes on labor incomes and private consumption finances (Agius 2007, pp. 590–591, Kangas and Palme 2009, pp. 68–70). Simultaneously, the convergence criteria for EU entry demanded painful budget consolidations. The policy of guaranteeing full employment was no longer tenable (Eichhorst and Wintermann 2005, p. 23). Since joining the EU in 1995, low inflation was prioritized over full employment. All of this triggered a change from active to activating policies.

This ideational shift was reinforced by changes within the policy community. The erosion of corporatist patterns dates back to the mid-1970s, but starting in the 1990s the most significant welfare state reforms were not conceived in close cooperation with the social partners. Instead, government-financed commissions, composed of parliamentarians, bureaucrats and academics, nowadays play a significant role in Swedish policymaking. These commissions are critical to understanding the Swedish consensus tradition. The Swedish tendency to form minority governments demands that every policy has a legitimation on its own. Therefore, policy-making is pragmatic and policy-oriented. The commissions’ work makes it easier for political opponents to agree upon a set of solutions. Since discussions within public investigations are not public, participants can
be less politics-oriented (Eichhorst and Wintermann 2005, pp. 20–23, Bergh and Erlingsson 2009, pp. 81–84). Because the commissions are usually temporal and created in an ad hoc manner, participation is fluid, offering good possibilities for the entrance of new actors and policies. The various commissions produce different policies, which compete amongst each other. As early as the mid-1990s, one can observe some adjustments of Swedish employment policies to bring them in line with EES and OECD standards (Schwarze 2012, pp. 215–216).

However, developments in the policy stream were in tension with the politics stream. While activating concepts were prevalent in the former, a strong flexibilization of labor markets and a commodification by lowering wages and social benefits proved to be difficult to pursue because of two political reasons. First, governments’ policy discretion is narrowed since the existing regime enjoys strong popular support in Sweden. The middle class has been included in social provision by a universal, income-based unemployment insurance scheme. Working for a wage under the poverty line and an excessive flexibilization of the labor market were not accepted (Timonen 2003, p. 41). Second, although the trade unions’ importance declined in the policy stream, they remained a strong actor in the politics stream. Trade unions represent both possible partners in dialogue and formidable political opponents in cases where dialogue fails (Pierson 2001). This was proven when the social democratic government withdrew scheduled tightening of the public unemployment insurance in 1996 und 1997, which saw the first time the trade unions demonstrated against a social democratic government (Clasen and Viebrock 2005, p. 47). The 2001 Activity Guarantee, the largest scheme of active labor market policies, was weakened because the unions rejected the idea of exerting pressure on the unemployed to seek work by reducing their benefits. The OECD criticized the Activity Guarantee as being too generous, since it provides unlimited access to benefits. Thus, active labor market programs should be of limited duration (OECD 2001, p. 4, 2005, pp. 17–18). In view of unemployment and inactivity traps, the European Commission (2006, p. 165) suggested more incentives in the tax and social security system.

In sum, institutions shaped the evolution and selection of policies. While the German principle of status preservation hampered activating policies, the Swedish work-first principle was better to recombine with such ideas. Nevertheless, in both countries economic pressure lifted up activating policies in the policy stream. However, in Germany they could not reach the top of the stream due to the corporatist structure of communities, which required consensual solutions. In Sweden, different alternatives competed with each other, which enhanced the possibilities of activating policy alternatives.

Policy Entrepreneurs and Windows of Opportunity

As argued above, changes in the policy stream alone are insufficient to cause path deviation. To trigger change, additional policy entrepreneurs and windows of opportunity are needed.

In Germany, the modernist faction of the Red–Green coalition, which was grouped around the German Chancellery, tried to promote activating policies. Shortly after the coalition took office, the Chancellery tried to set an activating agenda by publishing a manifesto co-written by Chancellor Gerhard Schröder and the British Prime Minister Tony
Blair. The Blair/Schröder manifesto (Blair and Schröder 1999) claimed to set a “new supply-side agenda for the left” and was perceived as an attempt by the Chancellery to steer the ideology of the SPD. The manifesto promoted policies with a priority on “investment in human and social capital” in combination with workfare policies according to “the principle of rights and responsibilities going together”. Long-term unemployed were expected to take up measures to reintegrate themselves into the labor market. Additional policies to make work pay for individuals and families and a low-wage sector were announced. The manifesto was met with resistance in the SPD since it broke with party ideology. A deregulation of the labor market and the principle that social rights entail the duty to reintegrate into work were new at the time (Heinelt 2003, p. 128). Not only the Social Democrats, but also large parts of the public rejected the concept, since it did not fit with German values (Schmidt 2000, p. 306). The manifesto refrained from an understanding of equity as equality of outcome and defined the goal of social policies as equality of opportunity:

The promotion of social justice was sometimes confused with the imposition of equality of outcome. The result was a neglect of the importance of rewarding effort and responsibility, and the association of social democracy with conformity and mediocrity rather than the celebration of creativity, diversity and excellence. . . . For our societies, the imperatives of social justice are more than the distribution of cash transfers. Our objective is the widening of equality of opportunity. (Blair and Schröder 1999)

This normative change ignores that the German welfare state is not redistributive, but status preserving. Interests and demands of the middle class protect it from undertaking radical reforms (Merkel 2001). Efforts to reduce expenditure by cutting benefits or tightening eligibility can threaten broad voting blocs (Pierson 2001, p. 447). After the Social Democrats lost several regional elections in 1999, the SPD distanced itself from the positions taken in the Blair/Schröder manifesto. Schröder and his Chancellery abandoned the pursuit of these policies.

However, in January 2002 a political scandal, which uncovered manipulated statistics in the German Employment Agency, opened a window of opportunity to set an activating agenda. The scandal highlighted labor market policies to be ineffective and delegitimized not only the system itself, but also the social partners who were involved in the implementation of the policies and in the administration of the employment agency. Therefore, the scandal was an opportunity to replace the corporatist policy community. In the aftermath of this scandal, the government convened a commission to prepare a reform of labor market policies, the Hartz Committee, called after its chair Peter Hartz, a human resources executive at the German Volkswagen AG and a well-known entrepreneur of new employment programs.

The establishment of the Hartz Committee served two functions. First, due to the composition of the commission, which included experts, politicians and members from interest groups, the government could later on promote the committee report as a result of expertise and compromise. Second, utilizing a pass-the-buck strategy (Weaver 1986, pp. 386–387), the Chancellery delegated the design of potential unpopular reforms to the commission, which was furthermore officially located at the Ministry of Labor, so that in case of failure the Chancellor would not be blamed. Overall control remained at the
Chancellery, but it largely refrained from micromanaging the commission and remained in the background (Schmid 2003, p. 78).

In June 2002, Peter Hartz released a first draft of results, which met positive responses in the media, economy and academia. At the end of July 2002, even before the commission had drawn up its report, Chancellor Schröder announced the implementation of the concepts of the Hartz Committee into law. The commission suggested detailed policies to bring about a shift in general orientation from that of an active to an activating labor market policy (Kommission Moderne Dienstleistungen am Arbeitsmarkt 2002, p. 20). The structure of the commission determined policy development and its eventual outcome. The broad exclusion of organized interests enabled zero-sum results, which especially went against unions’ interests. Although some members of the commission came from trade unions and employers’ associations, they were not officially to represent the social partners. Instead, the Chancellery and Peter Hartz chose members who took a sanguine view of free market forces, were more willing to compromise and agreed not to defend the particular interests of their associations.

The Hartz concept was legislated in four laws. The first and the second law came into force in January 2003. Workfare was introduced specifically with the redefinition of reasonable jobs for the long-term unemployed, which now have to accept almost any job offer regardless of their former living standards or their achieved educational status. Welfare claimants’ refusal of a job offer may risk cuts to their benefits. Furthermore, the burden of proof determining whether a job offer is (not) reasonable shifted from agencies to the unemployed. The most controversial element of the reforms came with the fourth law, which went into effect on January 1, 2005. It reduced the regular maximum duration of the insurance-based unemployment benefits from a maximum of 32 months to only 18 months for persons older than 55 and 12 months for regular unemployed. This is now followed by the (usually much lower) Arbeitslosengeld II, which integrated the former Arbeitslosenhilfe and Sozialhilfe into a new tax-funded and means-tested unemployment benefit. These radical changes lie in the combination of new reasonability and eligibility rules and a retrenchment and unification of benefits for the long-term unemployed. As a result, the leitmotiv of status preservation was narrowed for the short-term unemployed, while the long-term unemployed lost the protection of their previous status.

While industrial leaders, most oppositional parties and the Greens supported the reforms, there were strong protests in Schröder’s SPD and by the trade unions against cuts in unemployment benefits. Instead of using persuasion, Chancellor Schröder secured approval of the laws decisively by threatening to resign if the changes were blocked from within his party. The Social Democrats’ losses in regional elections were widely attributed to voters’ discontent with the Hartz reforms. In the autumn of 2005, the Red–Green government was defeated in general elections.

In Sweden, Fredrik Reinfeldt, chair of the liberal-conservative Moderate Party and subsequent Prime Minister, along with his Finance Minister Anders Borg can be viewed as entrepreneurs of activating policies. Borg, a former banker and member of the Board of the Swedish Labor Market Administration, pursued an economically liberal policy agenda through tax cuts and privatizations. His priority was on sound public finances; he advocated the idea of making work pay and a strict commodification. As a consequence of several electoral defeats, Reinfeldt, who was previously a strong economic liberal, adjusted his party to the pro-welfare Swedish national mood by transforming it into the “new workers” party claiming to defend the welfare state by making it more competitive.
and viable, and emphasizing individualism (Agius 2007; Jochem 2012, p. 88). The Moderate Party dropped its radical neoliberal program and drew on a social democratic narrative incorporating terms like the “Swedish Model”, “work-first principle” and “exclusion” (Bengtsson 2010). By use of these superficially positive but ambiguous terms, Reinfeldt shaped the path for the later reforms by altering the national discourse.

A central strategy for fitting a brand new paradigm to the old one was the presentation of unemployment as a problem of structural exclusion from the labor market due to excessively high reservation wages and government taxation. On the one hand, it fits the Moderates’ ideas of making work pay and commodification as appropriate solutions. On the other hand, it challenges social democratic achievements like high wages and decommodification. The Moderate Party accused the Social Democrats of neglecting the traditional goal of providing people with work, suggesting that the latter party had instead made them overly dependent on social benefits. Reinfeldt argued that many Swedes retire early reluctantly because the tax versus benefit equation does not add up (Millar 2006, p. 26). According to Reinfeldt, immigrants and youth were most notably excluded from the labor market, and Sweden lacked a “business climate”, all of which contributes to the increased dependence on the welfare state (Agius 2007, p. 586). The system of high taxes and generous welfare eroded the Swedish work ethic and punished hard work. Reinfeldt (2007, pp. 14–15) claimed that the basis of his government’s policy is the struggle for full employment by reasserting the work-first principle and the value of work. In the long term, this would help reduce labor market exclusion. By highlighting welfare dependency and promoting the work-first principle, the Moderate Party not only delegitimized the Social Democrats as the “Bidragspartiet” (party of benefits), but presented themselves as the “Arbetspartiet” (party of work), and the better alternative (Tsarouhas 2006, p. 92).

By referring to the strongly positively connoted term “work”, the Moderates could win a mandate from a pro-welfare electorate and convince it of the necessity for further labor market reforms. The election of the Alliance for Sweden, a coalition of four conservative and liberal parties led by Fredrik Reinfeldt, opened a window of opportunity in 2006 for a fundamental restructuring of the Swedish labor market. For the first time in a quarter-century, a government had a majority in parliament, which allowed the implementation of controversial policies without having to accommodate the usual consensus-oriented Swedish policy-making. This allowed a selective consideration of the government commission’s results. Policies that did not pursue recommodification were rejected. In October 2006, the new government, immediately after it took office, introduced its reform program, which was once again coupled to the problem of structural exclusion.

To overcome labour market exclusion, it is important to make better use of every potential labour force member’s desire to work. Swedish labour market policy was previously ineffective and led to passivity. (Swedish Government 2006, p. 17)

The agenda-setting was grounded in political reasons rather than being problem-oriented. In particular, the Moderate Party’s core value was that it is just and sets work incentives, if the (potential) income from a wage is higher than the received benefit (Lindbom 2008, p. 558). Tax cuts and the lowering of non-wage labor costs on the one hand, and the reduction of social benefits and reforms of the unemployment insurance on the other sharpen this difference. Despite the good economic and financial state of affairs, Anders Borg announced plans to lower unemployment benefits to reduce joblessness. The
decreasing problem pressure was advantageous for the agenda-setting of these policies, since the assumption that financial incentives to take up jobs runs the risk of having an adverse effect, that “[t]he same mechanisms that make individuals grab the opportunities offered by an expanding labour market can cause poverty and social exclusion” (Halleröd 2008, p. 9).

In accordance with the suggestion of the OECD, which advised curtailing active labor market programs in order to enhance employment, the Activity Guarantee Scheme was replaced by a Job and Development Guarantee, which offered faster and more personalized support (Swedish Government 2006, pp. 52–53; Finansdepartementet 2006, p. 21). At the same time, stricter rules for the receipt of benefits were imposed. Insufficient job-search efforts could be sanctioned and the replacement rate of the previous income was lowered as a penalty. Thus, by combining the active labor market policies of the Activity Guarantee with incentives and a focus on job search, the Job and Development Guarantee became an activating policy in accordance with OECD and EU blueprints. Furthermore, eligibility criteria in unemployment and sickness insurance have been tightened. Unemployed and sick persons now have to take up a line of work, even if it does not fit their qualifications. The reforms focused on retrenchment of benefits and activation of the unemployed by compulsion. Combined with the introduction of a negative income tax, the impact is a strong re-commodification, which meant a path deviation from the original universal, de-commodifying Swedish welfare state.

The reforms provoked criticisms from the Social Democrats and the trade unions, which claimed that the labor market would not lack motivation to work, but work, and assumed that the motive of cutting benefits was to force the unemployed to take lower paid work. In December 2006, the Swedish parliament adopted the reforms with a slim majority. The opposition criticized the short time period for preparing and adopting the policies. The government wanted to implement these unpopular reforms as fast as possible, so that it become distant memory and translate into economic benefits by the time of the next election (Gregory 2007). Indeed, the Alliance for Sweden won the Swedish general election in September 2010, but it lost its absolute majority in the parliament and continued to govern as a minority government. Thus, the window of opportunity was open only for a short time, which the government used to implement a fundamental, path-deviant reform.

**Conclusion**

This article aimed to explain path-departing policies by using a framework which combined the insights of historical institutionalism with the multiple streams framework. While the former offers an explanation for far-reaching change by examining the interplay of problems, policies and politics during an open window of opportunity, the latter is able to explain path dependency by its focus on institutional stickiness. The findings of the case studies, concerning activating labor market policies in Germany and Sweden, are that path deviation is dependent on four factors.

First of all, the reproduction of institutions needs to be challenged by changes in the policy stream. Usually, the selection criteria for policies are likely to have a path-dependent impact on the evolution of ideas. In Germany, the principle of status preservation hampered the acceptance and feasibility of activating policies, while the Swedish work-first principle enabled some activation of the unemployed, but led to no
retrenchment of benefits. However, competitive pressure also acted as a mechanism of change. In both countries, the ongoing market integration promoted activating policies, since these policies are likely to enhance productivity.

Second, the structure of policy communities proved to be an important factor. The German corporatism has shown that path dependency is more likely to occur when organized interests are incorporated in the policy community. Then the mode of interaction is bargaining and agreement is only reached as a non-zero-sum game. Only through deliberate exclusion of the social partners could activating policies reach the top of the policy stream. The interaction mode changed mainly to arguing, which enabled zero-sum solutions. Change occurs either endogenously, due to an eroding legitimacy and efficiency of established actors or coalitions in the policy community. This causes an intervention by previous uninvolved actors, as it was the case for the post-corporatist Swedish policy community where new ideas could easily enter. Alternatively, major policy change occurs by the replacement of one dominant coalition within a given policy subsystem (Sabatier 1998, p. 119), as in Germany where the government circumvented the corporatist policy community by establishing the Hartz Committee.

Third, windows of opportunity are critical moments for potential path deviations. Windows may open due to rising problem pressure or as a focusing event and thereby may delegitimize existing institutions or patterns of policy-making, as with the case in Germany, where a scandal regarding unemployment insurance enabled the reforms. This indicates that while usually a change in the policy stream precedes a window of opportunity to implement far-reaching policies, a window can also be used to prepare significant change by authoritative interventions in the policy stream. Alternatively, windows open due to the rise of new majorities or a shift in the national mood. Both were the case in Sweden in the context of the election of the conservative government. This corresponds to the findings of Howlett 1998, p. 515), who identified routine openings of windows in the pre- and post-election periods. Political actors are presumably likely to make unpopular decisions at the start of a new mandate when they believe there will be time for the voters to forgive or forget by the next election (Spohr 2015, p. 56).

Fourth, crucial factors for path deviation are policy entrepreneurs, who shape the path of reforms. Although activating policies were long present in the Swedish policy community, they were implemented only after policy entrepreneurs successfully adjusted the political discourse. By highlighting welfare dependency and the work-first principle, the Moderate Party could use the Swedish ambivalence over the goals of decommodification and full employment to actuate policies in accord not only with the problem of unemployment, but also with the Swedish national mood. In the German case, the establishment of an understanding of equity as equality of outcome for promoting activating policies did not fit the German institutional context. Thus, despite some attempts to minimize blame, the Hartz reforms were highly unpopular in Germany.

These conclusions must be subject to further research, which should also concentrate not only on improving the MSF by systematically including institutions in the framework, but also on elaborating the applicability of HI. Since MSF is offering explanations which can ease the shortcomings of HI such as in capturing paradigm shifts under unlikely conditions and the capability of parties and politicians to induce change. These are the concepts of windows of opportunity as critical moments, where change is possible, and policy entrepreneurs who strategically exploit the ambivalence of institutions, values and problems.
Acknowledgments

The author thanks Daniel Béland, Yuan-Juhn Chiao, Aukje van Loon, Michael Howlett, and the two anonymous reviewers for their helpful suggestions.

Notes

2. For a systematic discussion of the relationship between HI and MSF see Béland (2005).

References


