Discourse and the Shift in Social Democratic Ideology and Employment Policies

A Comparison of the PvdA and the SPD

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- Table of Contents -

- Abbreviations and Acronyms -

Only the frequently used

The Alliance	*Bündnis für Arbeit und Ausbildung* (Alliance for Labour and Education)
ALMP	Activating labour market policies
BA	*Bundesagentur für Arbeit* (Federal Employment Agency
BWA	*Bundesminister für Wirtschaft und Arbeit* (Ministry for Labour and Economy)
DB	*Deutsche Bundestag* (German Bundestag)
DGB	*Deutscher Gewerkschaftsbund* (German Federation of Trade Unions)
DI	Discursive Institutionalism
HI	Historical Institutionalism
Job AQTIV	*Aktivieren, Qualifizieren, Trainieren, Investieren und Vermitteln* (activate, qualify, train, invest and place)
JUMP	*Sofortprogramm der Bundesregierung zum Abbau der Jugendarbeitlosigkeit/Jugend mit Perspektive* (Immediate Programme against Youth Unemployment/Youth With Perspectives)
PvdA	*Partij van de Arbeid* (Labour Party)
PSA	*Personal Service Agentur* (Personal Service Agency)
RI	Rational Institutionalism
SI	Sociological Institutionalism
SME	Small and medium-sized enterprises
SPD	*Sozialdemokratische Partei Deutschlands* (Social Democratic Party Germany)

SvdA	*Stiching van de Arbeid* (Dutch Foundation of Labour)
SZW	*Sociale Zaken en Werkgelegenheid* (Social Affairs and Employment)
TK	*Tweede Kamer der Staten-Generaal* (Dutch Lower/Second Chamber)
TLM	Transitional labour markets

- Introduction -

Social democracy is not any longer the political movement it once was. Electoral support for social democratic parties in most Western-European countries steadily declined over the past four decades. [1] Following a partial revival in the 1990s, the declining trend resumed and even intensified in the mid-2000s. Moreover, not merely is electoral support decreasing, contemporary social democratic ideology does not resemble the same thought that long guided social democratic political action and rhetoric.

The diminution of social democratic support and the modification of its ideology are closely related to the concurrent gradual erosion of the European welfare state. First, most European welfare states came increasingly under pressure of international competition and domestic social and demographic factors (i.e. aging population) and therefore a restructuring process was initiated (Esping-Andersen, 1996; Palier, 2006). Second, neoliberalism[2] and its neoclassical or supply-side economic policy prescriptions entered the stage in the post-Bretton Woods period and Keynesian policies, commonly identified with social democracy, lost adherence (Palley, 2004; Pierson, 1996; Van Apeldoorn, 2000). Responding to these circumstances, European social democratic parties struggled to provide an alternative political narrative which reconciles welfare state modernisation and neoliberal prescriptions with traditional social democratic values of solidarity, equality and social justice (Vaut et. al., 2009). As a result, many European social democrats seem to have partially accepted neoliberal policies and moved towards the right side of the socioeconomic spectrum (Lavelle, 2013; Pennings, 1999).

This observation gives rise to a number of questions that deserve close examination. This thesis attempts to answer one of them by directing its focus at the steady erosion of the European welfare state and, in particular, its substantially intertwined labour market policy. European social democrats have not merely moved towards the right, their political parties have supported measures which substantially conflict with classic social democratic values. Although cross-national variation between reforms is apparent, several parties lowered the level and disbursement period of social security assistance and unemployment benefits and

[1] For a detailed overview and data-sets on longitudinal and cross-national electoral results of national elections visit or example http://www.electionresources.org/ or http://www.globalelectionsdatabase.com/

[2] Neoliberalism is a container concept related to, on the one hand, the political philosophical spectrum ranging from Hayek's classical liberalism to Nozick's libertarianism and, on the other, the economic rationale of neo-classical theories that promote *laissez-faire* and supply-side economics (Thorsen, 2011).

constrained eligibility requirements (Klitgaard, 2007; Van Gerven, 2008b). Moreover, particularly from the 1990s on, social democrats have taken the modern employment policy path of combining the flexibility of employment legislation with the security of both social assistance and quick integration into the labour market by means of active labour market policies (ALMPs) (Bonoli, 2010; Rueda, 2006).[3] This contrast between traditional social democratic ideology and reform policies is an impressive fact and, remarkably, the motivation of social democratic parties (or the left-wing in general) to reform the welfare state is barely researched (Starke, 2006). Inspired by this contrast and intending to contribute to our understanding of this particular issue, this thesis aims to answer the following two-parted research question: 1) how did European social democratic governments motivate or legitimise (welfare state and) labour market reforms, which were in contradiction with traditional social democratic ideology, to their constituents and the public and 2) how does the communication of their legitimacy (co)determine the acceptance of the policy turn?

In order to answer this research question, the thesis focuses on the public discourse by which social democratic politicians attempted to convince voters of their policy choices. The legitimating discourse is exposed by performing a qualitative content analysis of primary sources (e.g. election manifestos and speeches, par. 1.4) in which the public legitimisation of the ideological turn and the specific reforms are communicated. By drawing on the theoretical insights of discursive institutionalism (DI), the analysis extracts the arguments used to motivate or legitimate the shift and determines the manner in which the discourse contributes to the acceptance of the policies (par. 1.2 for criteria). The focus on discourse follows logically from the aim to expose the legitimisation, though it also results from the assumption that it is not necessarily the objective economic context or content of the reform, but the subjective interpretation of the narrative which determines whether a policy is accepted or not (par. 1.2). It is not neglected, however, that the application of a certain discourse and the public's acceptance of the employment reforms are naturally linked to both the content and the context of the reforms. Hence as the answer to the research question, particularly the second part, depends on country-specific economic, institutional and political context and on the reforms themselves,[4] discourse is assumed to be an additional – yet potentially the

[3] As such, social democratic governments have been pioneers of the European Employment Strategy's central concept of 'flexicurity', which the European Commission promotes as the best solution to the contemporary European unemployment problem. In chapter III this concept and its link with the reforms presently under scrutiny is expanded.

[4] Whereas the content of the reforms and particularly the underlying intention are part of the comparison, the effect of the reforms is not, because the latter has a longer-term time-span than the PvdA and the SPD were in

strongest – explanatory factor (par. 1.1). In order to control for these factors, the thesis compares the discourses of social democrats in two countries with largely similar contexts and reforms, namely of the Dutch *Partij van de Arbeid* (PvdA) and the German *Sozialdemokratische Partei Deutschlands* (SPD) as governing parties, respectively, in the Purple I and II and the Red-Green I and II coalitions. [5] Interestingly, both coalitions marked a shift in the national political landscape because Christian democratic parties did not take part in the government.[6]

Although the assumption of similarity is thoroughly elaborated upon in the following chapters, at this point it ought to be mentioned that the Netherlands and Germany are particularly alike in terms of their Continental welfare state and corporatist institutional structure as well as, to some extent, the economic conditions of the respective timeframes wherein their reforms took place (ch. II).[7] Moreover, the labour market policies of the PvdA and SPD – in particular the Dutch Flexibility and Security Law[8] and the German Hartz I-IV reforms[9] – are theoretically comparable because both parties implemented Janus-like reforms which consist, on the one hand, of wage moderation, deregulated labour markets, lowered unemployment benefits and social assistance levels and constrained eligibility requirements. On the other, their measures included reduced low-medium income taxes, improved legislative position of flexible workers and women, and a shift from passive benefits to ALMPs to foster rapid reintegration into the labour market (ch. III).[10] Remarkably the PvdA enjoyed, in contrast to the SPD, broad societal support for their reforms. Whereas the PvdA was re-elected with a substantial increase in seats and substantial protests against the reforms were absent, the SPD's reforms were received by widespread public controversy and discontent. In fact, they yielded large-scale demonstrations, demoralizing electoral results,

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government. Moreover, the thesis does control for coalition politics pressure as factors causing the policy shift. Cultural factors are left out of explicit consideration due to arguments of scope.

[5] The Purple coalition governed from 22/8/1994 to 22/7/2002, and the Red-Green alliance from 22/10/1998 to 22/11/2005. Purple I and II consisted of the Pvda (37 and 45 seats), VVD (31 and 38 seats) and D66 (24 and 12 seats) (out of 150), and Red-Green I and II of the SPD (298 and 251) and Bündnis90/Die Grünen (47 and 55 seats) (out of 603). For more information: http://www.parlement.com/ and http://www.bundestag.de/

[6] The PvdA took part in the Lubbers III cabinet (1989-1994) and, despite its loss of 12 seats in 1994, it was the biggest party. The SPD, after sixteen years in opposition, won 46 seats in 1998 due to many new voters. In fact, in fact its most heterogeneous constituency of all times (Pautz, 2009: 124)

[7] The most significant difference in the economic conditions is the transformation process in Germany due to the inclusion of East-Germany after reunification. See chapter III

[8] *Wet Flexibiliteit en Zekerheid,* adopted in November 1997 (January 1999 into effect)

[9] *Erstes, Zewites, Drittes und Viertes Gesetz für moderne Dienstleistungen am Arbeitsmarkt* as well as the *Gesetz zu Reformen am Arbeitsmarkt (*Act on Reforms on the Labour Market*)*. Hartz I and II are adopted in December 2002 (January 2003 into effect), Hartz III and the Act on Reforms on the Labour Market are adopted in December 2003 (January 2004 into effect) and Hartz IV was adopted in July 2004 (January 2005 into effect)

[10] For a seminal article on ALMPs read Calmfors, 1994

SPD membership terminations and, eventually, even the foundation of a new left wing party partially consisting of former SPD members (*Die Linke*) (par 5.3).

The thesis is structured as follows. The first chapter elaborates on the theoretical and methodological framework to provide a clear understanding of the considerations and advantages of focusing on discourse in assessing the ideological and policy shift, as well as of the manner in which the comparative analysis is carried out. Thereafter the second chapter presents a brief comparison of the Dutch and German welfare states and their political economic institutions and the third describes the specific content of the labour market reforms – thus, as regards the latter, the chapter simultaneously shows why the reforms are unconventional from a social democratic perspective. The fourth and fifth chapters represent the main body of the thesis. They contain a thorough analysis of the respective discourses and provide arguments for the answer to the research question. Finally, the conclusion will review these arguments and summarize the main findings.

- Chapter I: Theoretical Framework & Methodology -

1.1 Discursive institutionalism in perspective

DI maintains that the classical neo-institutionalist perspectives of rational (RI), historical (HI) and sociological institutionalism (SI) are, in contrast to their ability to explain continuity, not equipped to explain the alteration of political action and institutions. In a general sense, the classic perspectives have in common that institutions are perceived as constraints because they function as a given and determining set of boundaries or context. Within the context action is determined by a presumed 'objective' logic of action, and change only occurs as a result of exogenous contingent events – leaving change thus unexplained. Therefore, the classical perspectives are characterised as static rather than dynamic. In order to overcome this explanatory gap, scholars conducting research from one of those frameworks have gradually turned to the role of ideas and beliefs as independent variables constituting alternative behaviour and institutions (Schmidt, 2010: 2; Campbell, 2002). These new orientations gave rise to DI, which may be treated as an umbrella concept for a variety of perspectives that draw on ideas and beliefs and that share a distinct conception of institutions, the logic of explanation, and the factors constituting change (Schmidt, 2010: 3). To provide a clear understanding of DI and the way it utilises the functioning of ideas and beliefs as independent variables, the theoretical framework positions DI vis-à-vis the classic new institutionalisms while simultaneously elucidating DI's assumptions, central concepts and causal mechanisms.[11]

First, the RI framework centralises rational actors with fixed preferences and interests, which they pursue within an institutional framework of structures and incentives. As rational actors, they follow the 'logic of calculation' thus maximizing their interests in a rational manner. However, as many former RI scholars themselves admit, interests are not objective and separate from ideas but based on, and thus inherently intertwined with, ideas and beliefs. The latter influence or even constitute interests (and preferences), which are not static but open to change. Therefore, RI is deterministic and as such often draws wrong conclusions when assessing the motivation of political actors to pursue a certain policy. This, however, does not mean that DI does not "*speak the language of interests* [and] *incentive structures*" but it treats these as grounded in ideational and normative dispositions (Schmidt, 2010: 6-10).

[11] The perspectives are treated here as ideal-typical in order to describe their essentials in a clearly contrasting manner – hence clarity supersedes nuance.

HI, second, draws its explanatory power from the 'logic of path-dependence' as it defines institutions as the regularized patterns and routinised practices which determine action. Historical development constitutes these patterns and practices, and change occurs primarily from unintended consequences of agents acting within the institutional framework. Thus, HI does not conceive autonomous agency as a factor of importance and does not allow individuals, as the 'sentient beings' DI assumes them to be, to critically assess institutions and consciously change them. However, DI does not treat structures and patterns as independent from discourse and therefore HI and DI are complementary. HI's utility thus follows from its ability to determine the structures or context wherein the sentient actors think about or convey ideas (Schmidt, 2010: 10-13). Third, SI focuses on social actors who act dependently on a complex of institutions (or conventions), perceived as socially constructed and culturally framed rules and norms. Based on these institutions social actors follow the 'logic of appropriateness', thus acting within the normative boundaries of their context (e.g. a specific society or social group) (Schmidt, 2010: 2). With its focus on norms SI is rather close to DI, yet the fundamental difference is that SI scholars often treat these norms as results of long-term cultural development and therefore they are static. DI treats norms, and ideas more generally, as dynamic and thus open to change. More importantly, it goes further by holding that ideas are not to be put in a mere cultural context but also in a 'meaning' context and, therefore, DI also focuses on ideas as objects of empirical analysis, or in other words, on their content as things in themselves (Schmidt, 2010: 13-14).

The fundamental notion is thus that DI does not treat institutions as an objective setting in which actors calculate behaviour, as historical paths or as cultural frames, but as both constraining and enabling constructs of *meaning* (Schmidt, 2010: 4). The focus on ideas and beliefs overcomes the static nature of the classical new institutionalisms, yet it is complementary to them because it takes their respective logics and focus into account – in principle, discourse never is the sole independent variable due to its inseparability from rational behaviour, historical structures or culturally defined norms. A particular institutional regime, for example, determines which actors participate in the policy-making process and frames the interests and preferences of the actors involved (Palier, 2006: 7). Hence, discourse is assumed to be *a* cause, perhaps the most important, and if it appears not to be a distinct cause it simply reflects the interests of rational actors, the path-dependency of structures/practices or the appropriateness of cultural norms (Schmidt, 2005: 2).

1.2 Discursive institutionalism in detail

Discourse is assumed to be an intrinsic faculty of sentient actors as well as their vehicle for communication. Hence, discourse is relevant in that it comprises actors' disposition of ideas and beliefs, and that it enables actors to critically assess and communicate about ideas and beliefs. Or, as Schmidt puts it, DI focuses on the "*substantive content of ideas and the interactive process by which ideas are conveyed and exchanged through discourse*" (Schmidt, 2010: 4). Importantly, discourse is defined in a broad sense, namely encompassing the content of ideas and, since it exists at various stages of the policy process, as the process of generating and communicating them (Schmidt & Radeali, 2004: 193). With discourse as the unit of explanation and communication as the logic of explanation, change is explained as an endogenous process of background ideational formation, or coordinative discourse, and foreground discursive interaction, or communicative discourse (Schmidt, 2010: 14-16). In the coordinative phase, discourse is constructed by a range of actors that may be perceived as ideational elites from political, public and/or academic circles (e.g. epistemic communities) or even activists challenging the ideational status quo (e.g. advocacy networks). In this realm we, for example, find the deliberation on policies and ideas by political leaders and members of advisory/consultative bodies. The communicative discourse consists of actors at the centre of political communication, who engage in the conveyance and legitimisation of the previously generated policies towards the general public or specific constituencies. In particular, politicians aim to persuade their voters and party members of the cognitive soundness and normative appropriateness of their policies (Schmidt, 2009: 10-13).

Accordingly, institutions can be maintained or changed on the basis of a discourse's argumentative strength, which depends on its coherence and consistency as well as on its logics of 'cognitive soundness' and 'normative appropriateness' (Schmidt, 2005: 7). A minimum requirement for discourse to be accepted is coherence – though anomalies may always exist – and consistent conveyance over time (Schmidt & Radaelli, 2004: 201-204). More importantly though, successful or, in other words, persuasive and legitimate discourse is based, firstly, on its cognitive ability to define problems and corresponding solutions. The 'good argument' thus displays the relevance of a problem and the necessity of the solutions provided. Persuasive and legitimate discourse is, secondly, not so much concerned with the truthfulness of an argument as it is with its resonance with a society's vested or emerging norms and values. Because the truthfulness of an argument is contested in public life, discourse functions as a means to reach a new position in the dynamic process of forming

society's intersubjective account of reality.[12] This social constructivist (e.g. Risse, 2009: 145-151) ontology does not mean that discourse can be analysed in isolation, but as situated in a material, institutional and cultural context – hence the complementarity previously mentioned. Discourse may thus represent the necessary condition for political action by serving to configure interest-based political coalitions, to constitute a narrative or frame by which actors modify their institutional setting, or to reflect a national identity and norms that shape interests and the institutional context (Schmidt & Radaelli, 2004: 194). When a certain political discourse of substantive content is perceived as coherent and consistent, and when it displays cognitive soundness and provides normative appropriateness, it may function as a policy paradigm (e.g. Keynesianism) or even, when it operates as society's foundational ideas about the essence and objectives of the state, as a public philosophy (e.g. social democracy) (Schmidt, 2009: 11). With the clarification of the assumptions, concepts and causal mechanisms of the thesis' theoretical disposition in place, let us turn to the methodological considerations that drive its research.

1.3 Comparative content analysis

The core analytical part is based on a comparison of the communicative discourses of the PvdA and SPD during their governing periods. By means of a qualitative assessment of the main primary sources, in which the respective political parties have communicated the content and legitimisation of their alternative employment policy, it is assumed that the causes of their policy shifts are exposed (e.g. Bryman, 2008: 288-289, 492-507). By subsequently comparing the manner in which the outward oriented Dutch and German social democratic discourse functioned, the research aims to develop a precise explanation of the changed political paradigm of social democratic parties, as well as of the difference in public response. The ability to generalise the findings to other democracies is meagre, due to country specific factors of history, culture and political economic institutions to the nature of social democracy and the public body, and therefore the thesis its claims will be modest. Moreover, although it is immediately admitted that employment policy is only one of several pillars of social democratic politics, it is assumed here to be the most important policy area because it is closely linked to a specific welfare state model and the way it is funded. In addition, it has to be stated that the governing periods of the Purple and the Red-Green coalitions only partially

[12] This is not to say that truth is arbitrary or relative and that facts are not falsifiable. Rather, objective facts are poured into an argumentative structure, which remains open to interpretation and debate. For DI's ontological position read: Radealli & Schmidt, 2004: 193-194

overlap, but because the timeframes are close enough to consider, inter alia, the international political and economic factors which could have influenced the policies or the perceptions thereof as constant. The most significant difference is the pressure of the German reunification process on the affordability of welfare state provision and the government budget (ch. II and III).

The focus thus lies on communicative discourse and not on coordinative discourse. This choice is primarily based on the objective to understand legitimisation, yet the consideration that a thorough understanding of the ideational generation process would entail a qualitative analysis of written sources of elite group elaborations (e.g. party leadership meetings) or extensive interviews with key individuals is also important. Although this would give us more insight into the generation and legitimisation process, the inaccessibility of these sources as well as time and means constraints of force this research to be more modest. Moreover, the communicative discourses are also more important to the second part of the objective since, if a clear difference in the communicative discourse between the Dutch and German social democrats surfaces, the thesis may conclude on the causes of the much more controversial German public response.

The methodology reflects a most similar systems design (e.g. Rihoux, 2006) as the cases are similar on the most prevalent independent variables of rational or calculative behaviour, the welfare state, the political economy institutions and the cultural context – those are thus held constant. However, the design is loosely interpreted because of the two different parts or sides of the research question. In order to understand how the PvdA and SPD legitimised their ideological shift and unconventional labour market policies – similar dependent variable – discourse is for both cases held as the strongest explanatory independent variable. Yet to explain why these unconventional policies proved to be more controversial in Germany than in the Netherlands, the discourse of the SPD must reflect different features. Hence, for the first part of the analysis, the dependent variable (labour market policy) is similar in content while for the second both the dependent (public response) and independent variables (discourse) are assumed to be dissimilar in content. The description of the Dutch and German welfare state model and labour market reforms in the next two chapters will explain to what extent these other possible factors have effect. In the main analysis the influence of coalition politics on the policy shift is assumed to be controlled for by comparing party manifestos with coalition agreements.

1.4 Data collection

In order to fully understand the communicative discourses the analysis draws on a body of primary sources[13] including party manifestos[14], party convention reports, coalition agreements, coalition statements, parliamentary debates on specific labour market legislation, speeches of key individuals and policy documents. The benefit of using parliamentary debates is that the governing parties are obliged to directly answer questions of the opposition when policies are discussed. The answers they provide are assumed to give specific information about their policy choices and underlying values and objectives. The speeches of key individuals are held on various occasions, namely at party conventions, parliamentary addresses and public settings such as universities and on national television.[15] In addition to prime minister Wim Kok and chancellor Gerhard Schröder, the ministers primarily responsible for the labour market reforms, namely the Dutch minister of Social Affairs and Employment (SZW) Ad Melkert and the German minister for Labour and Economy (BWA)[16] Wolfgang Clement, are central to the research. One constraining factor is that the party conventions of the PvdA are not made freely available. However, party conventions are chiefly concerned with party members instead of the wider public, and the documents that are available do provide a clear view on the PvdA's communicative discourse. In addition, several documents of joint employer and trade unions conventions as well as of advisory committees that were vital actors in the design of the labour market policies are included.[17] Although these are particularly relevant to the coordinative discourses, politicians frequently refer to them to claim broad societal support for their policies when arguing for certain policy choices. In addition, the analysis extracts information on the communicative discourses by using a selection of secondary sources such as academic articles, newspaper interviews and journalistic comments on key individuals and events.

1.5 Conceptualisation

The definition of social democracy deserves further clarification. The thesis interprets social democracy in its traditional post-Second World War form – in ideological terms between

[13] These sources are read in the original language, unless otherwise indicated
[14] Parties generally publish both electoral manifestos and programs of their fundamental principles (PvdA, 1977; PvdA, 1994; PvdA, 1998; SPD, 1989; SPD, 1998; SPD, 2002)
[15] In the Netherlands, the yearly public address to the nation is the *Troonrede*, which is read by the monarch but written by the prime minister and as such can be regarded as a statement by the incumbent government. In Germany, the chancellor addresses the nation on December 31st in his *Neujahrsansprache*
[16] *Sociale Zaken en Werkgelegenheid* and *Bundesminister für Wirtschaft und Arbeit*
[17] As will be seen below, for the Dutch and German cases these are SvdA, 1993, SvdA, 1996 and Hartz Commission, 2002

democratic liberalism and democratic socialism – and as such its definition is based on the triad of core interlinked values individual freedom, equality and solidarity that together constitute social justice. The social democratic conception converges freedom and equality in that freedom is conceived as both negative and positive, thus freedom *from* coercion and freedom *to* act independently (Berlin, 1959). Hence, in addition to the liberal accent on individual responsibility social democracy emphasises the equal redistribution of resources of opportunity (e.g. education as emancipation). The interpretation of solidarity relates to both the redistribution of opportunity, but also in a broader notion of society as part of one's individual identity and therefore a strong feeling of community and mutual dependency and responsibility. Individual interests are thus sacrificed for the 'greater good' of the society as a whole, and a relatively extensive redistribution of *outcome* (e.g. inequality reducing taxation) is deemed appropriate (Gombert et. al., 2009: 8-68). Social democratic political economy is based on the notion that capitalism is accepted as the most efficient and long-term welfare increasing model, but which needs to be coordinated by the interventionist state. Due to capitalism's inequality raising tendencies, the socio-economic policies of social democrats are inherently linked to the welfare state, and stimulating (Keynesian) policies to reach full employment – both in order to reach social equality and justice (Vaut et. al., 2009). In the main analysis the thesis will, whenever the policies of the governing parties differ from the general and country-specific conception, primarily use adjectives as 'unconventional' to the concept of social democracy.

- Chapter II: Political Economy Regimes and Welfare State Reforms -

A brief yet elucidating description of the Dutch and German institutional regimes and welfare state reforms invites to rely on a typology which clearly indicates the (dis)similarities between them. Although an ideal-typical approach does not fully capture the complexity of and variety between the institutional structures it does expose the general (dis)similarities. Problematically, academic literature contains a vast number of institutional categorisations (e.g. Eichenhorst & Hemerijck, 2009; Hall, 2007; Martin& Thelen, 2007; Palier & Martin, 2007). However, the thesis applies the typology of Esping-Andersen, 1990 which, according to the comparative work of Art & Gelissen, 2002, remains an adequate model to classify the welfare states or institutional regimes albeit ideal-typically.

2.1 Types of institutional regimes

Esping-Andersen's typology contains three subtypes, the liberal, conservative and social democratic welfare state. The fundamental differences between these types are based on a scale of decommodification – the degree to which a social service or benefit is a right and the degree to which a person's livelihood is not dependent on the market – and social stratification – the degree to which social policy promotes a hierarchical or equality based stratification , and whether the welfare state is based on a broad or narrow definition of solidarity (Arts & Gelissen, 2002: 139-142; Esping-Andersen, 1990: 29, 73-77). The liberal or Anglo-Saxon model is characterised by individualism, self-reliance, and the primacy of the market – hence the lowest level of income redistribution and decommodification of labour. The state fosters the proliferation of the market and therefore social security takes the form of subsidized private schemes or modest (often means tested) benefits for those in dire need. Second, the Christian democratic or Continental type is corporatist and moderately decommodified. The state is somewhat interventionist and institutionalised solidarity remains restricted to provide a steady maintenance of income benefits based on occupational status and former contributions. Moreover, due to Christian values, the regime is organised to preserve traditional families thus female labour market participation is not encouraged. The family-based stratification also means that the state only interferes when a family cannot remain self-reliant. Thirdly, the social democratic or Scandinavian model is based on collectivism, distribution and high decommodification, since benefits are generous, universal

and not based on individual contributions. The objective of the state is to maximise individual independence and capacities – including women – and guarantee full employment, which is supported by a large public employment sector (Arts & Gelissen, 2002: 142-155).

2.1 The Netherlands: a hybrid regime

The Dutch welfare state is an atypical or hybrid one because it displays important features of the social democratic and the Continental ideal type. The Dutch case is often categorised in various ways due to scholar's different emphasis on specific welfare state elements or a particular time frame (Arts & Gelissen, 2002: 151). It is traditionally classified as social democratic since its core social schemes are founded upon the principle of universal access and inter-class solidarity. However, the institutional regime is corporatist (Eichenhorst & Hemerijck, 2009) and, as a result of its gradual modification in which several liberal elements were introduced (Van Oorschot, 2006: 58), the Dutch regime is complex and best described as 'in between' the social democratic and Continental ideal-type (Arts & Gelissen, 2002).

Since the social insurance system has been expanded from employment related security to the protection of society at large by providing universal, relatively generous and largely unconditional social schemes the Dutch welfare state is characterised as social democratic – though in the 1990s social expenditure dropped significantly, with aggregate numbers relatively higher in Germany, table 7. The protection against social risks, designed and guaranteed by the state and based upon the recognition of society's responsibility to provide minimal income levels and to ensure equality of opportunity, is therefore extended from worker support – unemployment, long-term disability and illness coverage[18] – to a universal safety net[19] and 'people's insurances' which mainly range from old age to survivors pensions and child support.[20] The social insurance system is based on institutionalised collective solidarity since social security is not only universal but unemployment benefits and people's insurances are compulsory and collectively financed by premiums on wages and progressive income tax. The institutionalisation of social security is deemed as the most appropriate in the secularised Netherlands and therefore private welfare provisions (e.g. church-based charity typical of the conservative model) are marginal (Van Oorschot, 2006: 59-60, 63-69).

[18] Respectively, *Werkeloosheidswet*, *Wet Arbeidsongeschiktheid* and *Ziektewet* (ZW)
[19] *Algemene Bijstandswet*, again reformed in 2004
[20] *Volksverzekeringen*. Respectively, the *Algemene Ouderdomswet*, *Algemene Nabestaandenwet* and *Algemene Kinderbijslagwet*. These people insurances are administered and disbursed by a semi-independent institution called the *Sociale Verzekeringsbank*, which is controlled by the Ministry of SZW

However, the Dutch political economy is not social democratic on several important variables. Firstly, the economy is moderately liberal given the absence of an extensively intervening state and the low share of public enterprises and employment. Due to the open, export-oriented economy with a small domestic market publicly conducted economic ventures are limitedly able to promote growth. Marginal planning and regulation of the market were traditionally favoured to either nationalisation or full liberalisation so as to benefit from efficient resource allocation while concurrently correcting for the market's undesirable tendencies (Hulsink, 2001: 7-8). Secondly, the political economy regime reflects the Continental model because of the corporatists elements as the collective wage bargaining structures, (semi-)public social security management and the institutionalised practice of social partners consultation. On the basis of consensus-seeking and the recognition of pluriform interests, the government designs socioeconomic policies in a tripartite structure which includes both the main trade unions and employer organisations – organised in the Foundation of Labour[21] – and public advisory bodies. The inclusionary character entails in fact the co-design of socio-economic policy because the employer and labour unions are mandated to conclude collective labour agreements on wages and on important aspects of social welfare policy (e.g. arrangements concerning flexible work or leave schemes). The system of consultation induces broadly supported and scientifically based socio-economic policy and it is particularly capable to ensure the incremental, flexible and well-balanced modification of employment arrangements – an important feature given the dependency on the global market and vulnerability to competitive pressures. The significance of the corporatist model (Wilthagen, 2003) is underscored by its influence on reforms and therefore economic performance. In the 1973-83 period, the system proved unresponsive to address the challenges of the time as diverging interests and a weakly coordinating government created a reform stalemate. This indecisiveness arguably prolonged and thus aggravated the recession (Hulsink, 2001: 8-9). However, with the 1982 Wassenaar Agreement the system displayed the extraordinary ability to combine the diverse interests of employers (e.g. wage moderation) and employees (e.g. part-time work and ALMPS) – leading to the 'Dutch miracle' (Visser and Hemerijck, 1997).

[21] The Foundation of Labour, or *Stichting van de Arbeid* (SvdA), consists of the main trade unions CNV and FNV, and employer organisation VNO-NCW

2.3 The Netherlands: reforms in 1980s-early 1990s

The Christian democratic coalitions[22] held that budgetary reduction, wage moderation and liberalisation of labour market protection was the key to address macroeconomic challenges and hence increase employment levels. With the Wassenaar Agreement signed, these coalitions expanded their reforms to the welfare state and reduced the level of workers schemes, people's insurances and the social safety net.[23] This resulted in a lower attractiveness and use of the insurance schemes which led to greatly reduced costs to the central budget. The restrictiveness of eligibility is extended to almost all areas, since the reforms included more means-tested procedures for entitlement in which the requirements became more individualised. This led also to the revision of the family or household based provisions typical of the several conservative elements of the Dutch welfare states (e.g. male breadwinner-based system). In this respect, the Christian democratic coalitions also set the first steps towards activating labour market policies, particularly as regards legislative improvements for part-time and temporary employment (of women and ethnic minorities). The reform period beholds the introduction of employer incentives (e.g. bonuses to hire and fines when firing disabled peopled) and a shift of the burden of income security to employers by privatising many of the formerly publicly provided insurances (e.g. as the regards the sickness leave, the employer is obligated to disburse the 70% of previous wages or to privately insure the disbursements) (Van Oorschot, 2006: 65-68; Wilthagen & Tros, 2004). Importantly, the cost-reducing efforts of the 1980s not only improved the ability to pay for the social insurance system but they gave rise or were accompanied by a new conception of the welfare regime. With the accent shifting from welfare to work, the interpretation of the legitimacy of universal and generous social protection itself changed. Instead of class-based solidarity, the objection to the misuse of and free riding on social protection came increasingly to the foreground. As a result, the liberal notions on individual responsibility enjoyed relatively broad-based support among societal actors as well as political parties (Van Oorschot, 2006: 58, 72-74).

2.3 Germany: a Continental regime

The German institutional regime is, in contrast to its Dutch counterpart, less ambiguous and fits the Esping-Andersen categorisation of the Continental welfare state considerably better.

[22] Lubbers I-III, November 1982 to August 1994

[23] For example, the workers insurance's benefits levels were scaled down (from 80% to 70% of previous wages and relatively restrictive entitlement requirements (from a minimum of 52 to 26 weeks of employment) and duration periods were limitated (Van Oorschot, 2002: 66)

In fact, Germany has been classified by most academics as the prime example of the Continental welfare state or similar categorisations (Art & Gelissen, 2002: ??). The German system deviates from the social democratic welfare state because decommodification is limitedly realised. A universal safety net above the liberal minimum-level assistance exists yet unemployment schemes depend foremost on individual market performance and a certain level of (income) equality is not necessarily aimed at (Palier, 2006: 536). The social security system, moreover, is orientated on the male breadwinner and support for the traditional family structure (Art & Gelissen, 2002:), and therefore female labour market participation has been much lower in Germany than in the Netherlands – table 6 (Palier, 2006: 537). To preserve the status and income of the worker German employment protection is restrictive, particularly as regards temporary labour – regular contract protection is similar in both countries in 1994-2005 (tables 3 and 4). The emphasis on security is closely related to the Continental conception of social justice, namely as ensuring benefits proportionate to one's former wage level. Despite the fact that the benefits are relatively generous, the level of social protection depends not on an equal rate for all citizens but on a worker's employment and its market performance. The benefit schemes are thus not provided by (proportionate) taxation but by earnings-related contributions (payroll-taxes). The state guarantees a certain level of independence from the market when a worker is confronted with a contingent event (Palier & Martin, 2007)

The German institutional regime is also corporatist because of its collective bargaining structure and its semi-publicly managed social insurance system – by the Federal Employment Agency (BA).[24] As in the Netherlands, interests of employers and employees are represented in a centralised system wherein the major confederations of enterprises and trade unions bargain on wage levels and additional labour conditions. The system is also similar as regards the consensus-seeking culture and its capacity to create homogenous and competitive labour market conditions by means of collective labour agreements - in the 1980s real wages were in fact decreased by 10 to 15% (Theodoropoulou, 2008: 167; Hassel, 1999: 483). Although largely similar, several differences between Dutch and German corporatism are notable. Foremost, in the German regime one confederation of sector-based unions, the *Deutscher Gewerkschaftsbund* (DGB) functions as the legal monopolist of central employee interest representation and wage bargaining. In contrast to the Netherlands, there is no fragmentation between central labour unions representing a variety of sectors and the German

[24] As part of the Hartz reforms, the *Bundesanstalt für Arbeit* was renamed the Bundesagentur für Arbeit

federal government does not participate directly in wage bargaining – *Tarifautonomie*. The DGB, however, does not bargain itself because a collective agreement in one key industrial sector sets the standard for collective agreements. Historically the German metal-industry union *IG Metall* determined the standard yet in the early 1990s,the public services trade union[25] was the key player (Theodoropoulou, 2008: 158-159).

Moreover, whereas the Dutch collective and local agreements overlap, the German system is based on a strict separation of decision-making rights. Trade unions and employer confederations have the sole right to wage bargaining yet the plant-level work councils of elected employees, do not independently determine additional labour conditions (e.g. extra holidays) and limited local wage differentiation (e.g. voluntary bonuses) – work councils are thus not merely consulted but they co-determine (Hassel, 1999: 483-487). In addition, the German corporatist regime is, in contrast to the Dutch centralised system, confronted with a decentralising trend of union representation because in the reunification process the traditional Western-German trade unions and work council system needed time to expand to the East and, more importantly, the diverging patterns of development demand wage differentiation between the *de facto* separate economies – after 1989 more (Eastern) *Länder*-based employers confederations are established (Hassel, 1999: 495). Finally, the work council based system is eroding because the collective coverage ratio decreased during the 1980s.[26] With the increase in small-scale companies and of the share of non-manufacturing/industry based companies the system needed more flexible labour arrangements. However, although the dual system is eroding collective agreements still cover about 90% of all employees in the early-1990s (Hassel, 1999: 489-493).

2.5 Germany: the 1980s to late-1990s reforms

In the 1980s, the German welfare state underwent extensive reform to realise fiscal consolidation and lower tax burdens. Although the process of cost-containment already started during the H. Schmidt administrations (1974-1982), the Christian democratic coalitions led by H. Kohl (1982-1998) stepped up the pace by reducing disbursement levels and restricting eligibility criteria for social schemes in order to improve the German budgetary position. Initially the policy route of debt reduction and to improve payroll-tax conditions is a consequence of deteriorating employment levels after the oil crises yet during the final Kohl

[25] *Gewerkschaft Öffentliche Dienste und Verkehr*
[26] General share of employees without work council representation increased from 36.8% in 1981 to 44.9% in 1994 and in the private sector from 49.4% to 60.5%

coalitions the need for fiscal consolidation was aggravated by the reunification of East and West Germany. Not merely did the reunited German state took on the East's large debt, the East had high unemployment (Palier, 2006: 11). Despite measures that reduced eligibility, aggregate social expenditure rose even more (table 7) because the unemployment problem was to a large extent addressed by early retirement measures such as less restrictive criteria to access old-age pension schemes.[27] Remarkably, the final Kohl coalitions actually reversed several of its social insurance reductions in the late 1980s –e.g. the duration of unemployment benefit periods were extended from 6 to 18-24 months. To offset the worsening effect on the budget, the Christian democrats privatised some insurance schemes and thereby shifted the financial burden of social benefit schemes to the private sector. However, with fewer workers participating in the labour market and more of them enjoying pensions the number of workers contributing to the social security system relatively declined (Streeck & Tampusch, 2005: 179-181; Theodoropoulou, 2008: 163-166). Moreover, the unemployment problem was met by relaxing the restrictive nature of German employment legislation,[28] and more importantly, by creating a large secondary labour market by means of government funded employment – social contribution therefore exceeded 40% of gross wages in 1996 and the BA, being responsible for security disbursements expanded considerably (Streeck & Tampusch, 2005: 176, 183).

[27] Particularly by the 1984 Pre-Retirement Act (*Vorruhestandsgesetz*)
[28] Particularly by the 1985 reforms on collective dismissal and on longer fixed-term contracts – the maximum of 6 months contracts increased to 18-24 months – and by abolishing the obligation of employers to officially prove the temporary nature of employment (Theodorpoulou, 2008: 161, 165)

- Chapter III: The PvdA's and SPD's Labour Market Reforms -

3.1 The PvdA and SPD: common problems and solutions

The Dutch and German reforms are equivalent as regards their awareness of the necessity to adjust the welfare state and their conception of the most adequate policy trajectory. The necessity follows from, firstly, external challenges of globalisation and European integration (e.g. competition and capital mobility) and, secondly, from the internal socio-cultural and demographic challenges to social security affordability and employment relations (e.g. female emancipation, structural unemployment, expanding service sector, and ageing population). These challenges are presumed to necessitate unconventional reforms which bring about long-term cost-reduction, increased competitiveness and the activation of the unemployed and outsider-groups as women, youth and minorities. The policy course does foremost entail wage moderation, the reduction of non-wage labour costs and income taxation, and the restriction of the generosity and eligibility requirements of passive social benefits. Moreover, social security and employment policy are transformed by an increasingly supply-side oriented trajectory which emphasises the deregulation of employment protection legislation (e.g. dismissal protection) and ALMPs (e.g. job placement services, incentives to reintegration and vocational training). These two cases therefore reflect the reform movement apparent in many European welfare states (Esping-Andersen, 1996; Pierson, 1996; Starke, 2006). In addition to the (dis)similarities previously mentioned (tables 2 to 7, graphs 7 and 8) the most substantial differences between the Dutch and German cases under scrutiny are the difference in economic performance (graphs 1-6) and the effects of German reunification on the unemployment rate (table 1).[29] Although these differences are significant it is primarily the theoretical similarity which unites the two. Moreover, as explained in par. 1.2, it is not necessarily the material conditions that explain either the shift in employment policy or public acceptance but the subjective interpretation of discourse.

Regarding deregulation and flexibility, it is often argued that rigid labour market institutions are unable to adjust to business cycles and therefore cause unemployment and competitiveness losses (e.g. Siebert, 1997), but the empirical evidence does not support these causal relationships. In fact, the reforms in the 1990s which increased flexibility of legislation and reduced entitlements do not explain either a positive or a negative effect on employment

[29] Read Wunsch, 2006 for a thorough account of this effect

and competitiveness (e.g. Howell et. al., 2007). As regards changed socio-cultural and employment patterns, academic accounts based on the transitional labour market (TLM) approach argue that developed economies indeed require activating and transitional arrangements such as short-time work, temporary and part-time work, (re)training and flexible retirement. To resolve the problems of high structural employment, outsider exclusion and occupational segregation, labour markets need mobility increasing arrangements in which the link between productive non-market activities and employment are fostered (Schmid, 1998: 11-26). Finally, the combination of security and flexibility reflects the flexicurity concept of the European Employment Strategy (EES) – in fact the concept's origin is often retraced to the Dutch reforms (Viebrock & Clasen, 2009).[30] Flexicurity takes a central position in the European Commission's discourse on employment policy (Heyes, 2011: 642-64); Houwing, 2010: 17-20) and, as the PvdA and SPD, the Commission is criticised for being too supply-side oriented, or even outright neoliberal. Some scholars point out that the EES disproportionally emphasises the flexibility side of the coin and therefore question flexicurity's compatibility with the European Social Model (Raveaud, 2007, Hermann & Mahnkopf, 2010).[31]

3.2 The PvdA's reforms

The Purple coalitions' reform process may be divided into two parts. In the first three years the practice of privatisation, deregulation and budget consolidation was continued, while the PvdA orally committed itself to a vision on shifting passive entitlements to ALMPS to include outsiders.[32] At the end of the first and during the second, the PvdA recalibrated its social democratic attitude and implemented (re-)regulation and ALMPs (Van Gestel et. al., 2009: 79-89).

The PvdA's social security reforms reflect a positive conception of the market. The adaptation of the public welfare sector and social security system was driven by the implementation of market incentives to create a new balance between the benefits of the market and protection.[33] This agenda meant that the state would remain responsible for the public interest (indentified as safety, public health, minimum service quality, reliability, and consumer protection) yet future policies would be focused on cost-effectiveness, competition

[30] Sociologist and government advisor H. Adriaansens introduced the term in policy circles (Wilthagen & Tros, 2004: 173)
[31] Though similarities are clear the thesis does not directly contribute to this debate
[32] In the memorandum 'Working on Security' (*Werken aan Zekerheid*), September 1996
[33] Noticeably the policy trajectory called *Marketforces, Deregulation and Legislative Quality* (*Marktwerking, Deregulering en Wetgevingskwaliteit*)

and transparency (Hulsink, 2001: 13; Wilthagen, 1998). Hence, quickly after the inauguration strong budget reductions for the regional public labour offices and looser ties with their central organisation and the government were proposed. [34] This provoked the social partners to question the government's willingness to continue to work within the tripartite system. Although the aim of Purple I seemed to privatise the labour offices completely, the coalition and social partners eventually reached an agreement[35] on lower austerity measures and less thorough privatisation. The corporatist system remained intact although employment policy is more tightly controlled by the Ministry of SZW (Van Gestel et. al. 2009: 85-89; Wilthagen, 2003: 17-24). The reformed people insurances reflect this attitude too. For example, regarding survivors pensions, although now also unmarried couples are entitled to benefits the benefits themselves are restricted to people born before 1950, disabled and parents with children under 18 and an income test to control unnecessary expenditure was introduced. Moreover, as regards unemployment, Purple I introduced restrictions on the work history requirements for short-term and extended unemployment benefits in 1995. With the strict but implicit application of income protection to the unemployed with a consistent and long contribution history,[36] it was difficult for typical outsider groups to enjoy the more generous benefits (Van Oorschot, 2006: 66). Moreover, as it seemed that minimum state-protection was insufficient to provide adequate income, the Purple coalitions partially privatised insurances. However, these measures led to new insecurities. For example, the sickness absentee reforms[37] included rules which obliged employers to continue payment during the first year of absence yet this measure resulted in an increased use of flexible employment and selective hiring (i.e. to reduce health risks) (Van Gestel et. al., 2009: 80; Wilthagen, 1998: 11). The initial employment policies did not only concentrate on reduced expenditure and market incentives. Because the unemployment figures in the beginning of the Purple I term were still high (table 1), Melkert initiated a traditional social democratic policy of direct employment subsidisation intended to reduce long-term unemployment in the low-wage job sector, called the inflow-outflow jobs (henceforth ID-jobs).[38] In order not to frustrate the primary labour market, the

[34] The *Regionale Besturen voor Arbeidsvoorziening* and the *Centraal Bestuur voor de Arbeidsvoorziening*
[35] *Decemberakkoord,* December 1994. The legislation which followed is the revision of the Allocation of Workers via Intermediaries Law
[36] The short-term benefit is now based on a 26 out 39 weeks condition and the extended wage-related benefit on a four to five years of employment history
[37] The Law on Sickness (*Ziektewet*) was abolished and replaced it with the 1996 Law on the Extension of the Obligation to Coninued Payment in Case of Sickness Absenteeism (*Wet Uitbreiding Doorbetalingsplicht bij Ziekte*)
[38] The ID-jobs were initiated as part of the ''40.000 jobs plan' in the context of the 1994 regulation *Regeling Extra Werkgelegenheid voor Langdurige Werklozen* and are commonly known as *Melkertjobs*. The official name 'ID-jobs' was coined in the 1999 regulation *Regeling ID-banen*

ID-jobs offered in the non-public sector for which there was low labour supply (e.g. cleaning or home-care sector), wages were set at a maximum of 120% of the minimum wage and the presumed 40.000 ID-employees were expected to reintegrate into the regular labour market (Serail et. al., 2002). However, the initiative's scale is small and therefore it is a minor element in the broader scheme of the reforms.

The Purple II coalition corrected the Purple I mismatch between the vision on ALMPs and the actual practice of deregulation, retrenchment and minor subsidisation (Van Gestel et. al., 2009: 83-85). The envisaged combination of female labour participation and child care is illustrative of this. In 1994 the government imagined the scenario wherein employment and child care would be responsibly taken up by partners which would both be employed for max. 30-35 hours/week. However, as male workers did not reduce their working hours and women were only limitedly included in extensive part-time jobs, the intention did not materialise. The government initially fell back on easy remedies (e.g. tax breaks) and direct subsidisation of child care facilities before it introduced its activating policies with the 2001 Work and Care Act.[39] This law, which emphasises the government's facilitating responsibility with minimal and flexible arrangements, incorporated former executive measures (e.g. part-time leave for parents with young children) and established new rules such as the legal protection of maternity, emergency and short-term care leave to enable women to participate (Van Oorschot, 2006: 71-72).

3.3 Flexibility and Security Law

The reforms in the context of the Flexibility and Security Law[40] reflect the aforementioned TLM and flexicurity paradigms to a large extent. The legislation is closely linked to the Dutch corporatist structure because, as the governing parties of the Purple I coalition could initially not reach consensus on the matter and also aimed to reinvigorate the practice of consultation, the social partners were closely involved in the design process (Houwing, 2010: 252-253). Although the parties of the Foundation of Labour already agreed amongst themselves in anticipation of the collective wage bargaining round of 1994 that the labour market needed a new policy course (SvdA, 1993)[41], their collective statement in April 1996 served as the basis for the legislation under consideration (SvdA, 1996). In fact, no significant modifications

[39] *Wet Arbeid en Zorg*, adopted in April 2001
[40] The first legislative proposal, accompanied by a memorandum (*Flexnota*), was put forward by Melkert (SZW, 1995)
[41] Additionally, the April 1993 agreement to strengthen the legislative position of temporary work between trade unions, employer organisations and the employment agency START (Houwing, 2010: 250; Wilthagen & Tros, 2004: 174)

have been made to the 1996 agreement because the text, which was not only endorsed by the social partners with a sense of achievement and commitment, was received by the Purple coalition and opposition parties as a breakthrough (TK, 1996a).

The intention of the Flexibility and Security Law is that it slightly deregulates the protection of standard long-term employment while simultaneously improves the protection of the increasing number of atypical employment (particularly temporary and on-call workers) as well as the regulations applicable to placement services.[42] With these policies the PvdA aimed to establish a legislative structure which is conducive to the transition aspect of labour markets by designing a new balance between standard and atypical employment - enlarging the latter's proliferation potential. These reforms, applied to the private sector, contain activating and flexible arrangements that foster employment instead of job security, e.g. in the form of the (re-)emergence of employment pools (inter-company and within companies pools) in which the transition from unemployment to vocational training to employment is fostered (Houwing, 2010: 157-159, 239; Wilthagen, 2003: 17-24)

The dismissal protection of standard employment is modified, after a stalemate period, so as to accomplish a labour market which allows for easier hiring of employment in times of growth and vice versa (Houwing, 2010: 253-254). Firstly, the law enlarges the period for which a fixed-term employment contract has to be transposed into a permanent one. Whereas previously the employee had to be offered a permanent contract after one extension of the contract, now the offer has to be made after three consecutive fixed term ones, or when the total duration of the employment comprises three years or more. Second, as regards temporary work, the reforms focuses on the legal position of temporary workers by creating equal labour conditions for standard and temporary employees – the equal pay for equal work principle as well as the almost automatic recognition of temporary employment as contract-based employment.[43] Temporary workers hired-out by an employment agency are guaranteed a minimum of three hours pay, the temporary worker is no longer obliged to have a specific permit for its employment and the previous six months maximum duration of temporary employment is abolished. Thirdly, the law also abolishes the dual dismissal system so that the process of moving from employment into the unemployment benefit system is made less bureaucratic. This because the notification of the Public Employment Service by the employer has been shortened and the employee is no longer required to file a complaint at the Service of

[42] Regarding the latter the *Wet allocatie arbeidskrachten door intermediairs* is mentioned, however due to arguments of scope, left out here (Viebrock & Clasen, 2009: 7)
[43] Jobs at an employment agency are now considered as a regular job, with a discretionary period for the agency and the employee to dissolve the contract

unjustified dismissal in order to receive benefits. Control on misconduct or unfair dismissal is henceforth regulated *ex post* through the remaining possibility to file a case at the lower court. Fourthly, as regards dismissal in general, a judge can impose the fulfilment of the employer's obligation to provide a reintegration path to an employee who's contract has been unlawfully terminated (Wilthagen & Tros, 2004: 173-175).

3.4 The SPD's reforms

The Red-Green I and II reform trajectory can be divided into three distinctive phases of which the first two take place in the Red-Green I period. In the first phase the SPD attempted to realise its electoral promises by reversing several of the social benefit cuts of the Kohl governments. As the SPD pursued a trajectory to preserve occupational status and living standards and increase the employment rate through passive benefits, this first period is often characterised as traditional social democratic (Büchs, 2005: 170-171). The reversals concentrated on pensions (e.g. annulment of the demographic correction rule), reduced unemployment benefits and extended sickness payment and restrictions on dismissal protection.[44] Moreover, by drawing on the deliberations of the tripartite Alliance for Labour and Education (henceforth the Alliance), [45] the SPD started ALMPs – particularly with the JUMP Programme[46] which aimed at either vocational training or job assignment for 100.000 persons under 25 (Büchs, 2005: 172-173).[47] In addition, as the SPD realised that non-wage labour costs were relatively high and the welfare state provisions were endangered, it simultaneously implemented measures to lower contribution rates for pensions and employment insurances. In order not to further reduce insurance levels the SPD established compulsory pension contributions for low-wage employment[48] and for independent workers which were perceived as pseudo-self-employed[49] (Streeck & Tampusch, 2005: 181).

The second half of the first governing term reflects stagnation, which is commonly assigned to a deadlock in the Alliance and struggles within the SPD and between the SPD and the Greens (Büchs, 2005: 174; Streeck & Tampusch, 2005: 183). The SPD openly debated on a suitable policy paradigm. The traditional social democrats led by Lafontaine proposed Keynesian policies as direct employment subsidisation and the modernists followed Schröder

[44] *Gesetz zu Korrekturen in der Sozialversicherung und zur Sicherung der Arbeitnehmerrechte* (1998)
[45] *Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit*
[46] *Sofortprogramm zum Abbau von Jugendarbeitslosigkeit*
[47] The SPD also revoked previous reforms restricting the promotion of labour (*ABM-Massnahmen*) for groups as older or disabled workers with the *Zweites SGB III Änderungsgesetz*
[48] 630-DM-reform (1999)
[49] *Scheinselbstständige*

in arguing for ALMPs and more flexible dismissal protection (see ch. V). This debate, after Lafontaine's resignation as Finance Minister, SPD chair and *Bundestag*-member in March 1999 was eventually won by the latter camp and consequently a new policy course was adopted. However, the reforms actually implemented in this phase are experimental and marginal. One of them included the CAST pilot project[50] for activating low-wage employment, and another is the Third SGB III Reform Act.[51] With CAST, employees are directly supported by wage subsidies[52], instead of their employers, when they accept low-wage jobs which are potentially below their former professional level - despite its limited application wage subsidisation proved to be the basis of the subsequently implemented Mainzer model (Jacobi & Kluve, 2006). The latter abolishes the 'original employment assistance',[53] however it does not constitute a significant change because it was additional to the employment assistance for the long-term unemployed (Büchs, 2005: 176-177).

3.5 Hartz I-IV and Agenda 2010

The third phase (2001/2-2005) is the most significant as it includes the controversial Hartz I-IV reforms and the announcement of the Agenda 2010. This phase is characterised as one in which the shift from active measures, generous benefits and reactive measures to activating policies, reduced benefits levels and stricter eligibility requirements occurred. Partly due to the deadlock in the Alliance and the Red-Green coalition disputes labour market conditions deteriorated. Hence, despite the election promise to reduce the number of unemployed from 4.4 million in 1998 to 3.5 million in 2002, no serious results were observable (table 1).

The first reform, the Job AQTIV Act, reflects the same activating approach[54] This act would produce improvements in the BA, particularly as regards the counselling and placement services for unemployed people and the control and evaluation of the ALMPs (Streeck & Tampusch, 2005: 183). The reform introduced activating or supply-side measures to provide security in transitional labour markets. Those include profiling of the unemployed person's qualifications and abilities, and an integration agreement[55] which contains non-binding responsibilities to search for jobs and the option to apply at a private placement agency after six months of unemployment. Measures of a similar activating character are

[50] *Chancen und Anreize zur Aufnahme sozialversicherungspflichtiger Tätigkeiten* (2000)
[51] *Drittes SGB III Änderungsgesetz* (1999)
[52] *Lohnkostenzuschüsse*
[53] *Originäre Arbeitslosenhilfe*
[54] Acronym for *Aktivieren, Qualifizieren, Trainieren, Investieren und Vermitteln*. Adopted on 30-11-2001 (1-1-2002 into force). Not part of the Hartz Commission's recommendations
[55] *Eingliederungsvereinbarung*

based on extensive labour promotion and the broadening of access to groups previously not encompassed by the training and placement services (e.g. mothers). Moreover, incentives as increased sanction levels for people not complying with the rules or not accepting a reasonable job offer were included, and the Mainzer model was extended to all German job searchers (Büchs, 2005: 177-178). The deadlock in the labour market reforms was, however, only broken after the February 2002 Federal Audit Court[56] reported on the BA's large-scale misrepresentation of placement figures – it claimed to find work for 60% of the unemployed while the number in fact was 20%. This scandal gained prominence in the public debate and the Red-Green coalition responded by replacing the chair B. Jagoda for F. Gerster, [57] a plan for the reorganisation of the BA[58] and the instalment of the Hartz Commission (Groot, 2002: 3).

The Hartz Commission consisted of fifteen representatives – two academics and thirteen experts from *inter alia* trade unions and management consultancies.[59] However, the DGB as well as the two most important employer organisations, the BDA and the BDI, [60] were not included as members. The Commission was tasked with the assignment to propose improvements for the BA and the labour market (Hartz, 2002: 12-16). The report, presented a month before the federal elections, set the ambitious objectives to cut unemployment with 50% in three years and to reduce the length of unemployment from 33 to 22 weeks, without overall cuts in benefit levels. It expected that the total of 1.960.000 jobs would be attained by increasing part-time work, shortening of the employment spell, improving the employment services, reducing youth and long-term unemployment by job centres, delivering permanent jobs to temporary workers and boosting self-employment (Groot, 2002: 6). The proposed measures have to a large extent been taken over by the second Red-Green coalition in four stages of reforms generally known as the Hartz I-IV reforms. In order to simplify matters, the Hartz reforms are here divided into four main pillars, namely 1) the improvement of the effectiveness and efficiency of the employment service and policy measures; 2) the activation of the unemployed by imposing a new balance of unemployment rights and duties; 3) the promotion of employment demand through labour market deregulation and; 4) the merger of

[56] *Bundesrechnungshof*
[57] Former Rhineland-Palatinate minister and SPD member. He immediately proposed benefit cuts for older and long-term unemployed
[58] Part of the *Gesetz zur Vereinfachung der Wahl der Arbeitnehmervertreter in den Aufsichtsrat*
[59] *Kommission für Moderne Diensleistungen am Arbeitsmarkt.* Chaired by Volkswagen personnel director P. Hartz
[60] *Bundesvereinigung der Deutschen Arbeitgeberverbände* and *Bundesverband der Deutschen Industrie*

unemployment and social assistance benefits and the reduction of benefit levels (Groot, 2002: 1-11; Jacobi & Kluve, 2006: 6-13).[61]

First, it is intended to improve the performance of the BA by instigating market mechanisms, simplifying tasks and making cost-effectiveness the criteria for job placement. Independent local job placement institutions, the Personnel Service Agencies (*PersonalServiceAgentur*, PSA) are established for rapid placement and protection of the unemployed. The unemployed is assigned to a temporary job to demonstrate its skills and to be trained for a potential permanent job. When no company hires a worker the PSA provides job training and, if the unemployed is not hired within 6 months, the PSA itself hires-out the unemployed for short-term employment. The PSA's act independently from, yet in cooperation with, the local labour offices – renamed as Job Centres. The Job Centres are one-stop service points for the unemployed and they have to support job searching instead of managing benefit disbursements. Every job searcher is assigned with a personal case manager.[62] Instead of strict and pre-determined eligibility criteria, the case worker profiles the unemployed and assigns him/her to a certain hierarchical category of market entrance potential.[63] To regularly control for the bodies' quality and efficiency the reforms include a fine-tuned set of quantifiable targets of placement and training effectiveness. Moreover, market instruments to improve the quality of services and incentives the unemployed to take responsibility for job placement are introduced – e.g. a placement and training services voucher system to enable the unemployed to have private placement service (Jacobi & Kluve, 2006: 7-10).

The second pillar of employment activation consists of a policy mix which strongly emphasises the duties of the unemployed to cooperate and pro-actively reintegrate, and measures to promote the direct integration of unemployed into the labour market instead of vocational training and public job creation (*Fördern und Fordern*, see ch. V). First, eligibility for unemployment benefits and activation services is no longer based on former social contributions but on the individual's ability to work. Moreover, measures as the obligation to register at a local employment office once one is fired or knows to be fired soon and the monitoring of an individual's job searching and re-integration activities are introduced. Noticeably, the reforms include sanctions for non-compliance with the integration agreements

[61] Of these four pillars, the Hart I-III are merged into the first three and Hartz IV is solely represented by the fourth

[62] Intended to reduce the number of unemployed per case manager from 400 to maximally 75 of the age of or below 25 years, or 150 older than 25

[63] From top to bottom: a) market clients, b) clients for counseling and activation, c) clients for counseling and support and d) clients in need for supervision and excluded from support (Jacobi & Kluve, 2006: 9)

obligations, for example, to accept any offer of 'suitable work' – even including obligatory moving to another city. Furthermore, the burden of proof on the unsuitability of a certain vacancy is reversed because it is no longer the local employment centre which has to prove unsuitability but the unemployed (Groot, 2002: 5). Second, supporting subsidies and preferential tax schemes are implemented: a) the Job Floater subsidy scheme for small and medium-sized enterprises providing an unemployed person with a permanent job[64]; b) the Me, Inc. (*Ich-AG*) which is a tax and subsidy scheme aimed both at combating illegal work and at promoting self-employment[65]; c) the expansion of the Mainzer Model to Mini-Jobs and Midi-Jobs, which essentially entails the expansion of the preferential tax ceiling for minor jobs (e.g. childcare workers) which are exempted from social contributions and income tax as well as direct wage subsidies to people of 50 years old or more.[66] The older person directly receive a subsidisation of the difference between the benefit level and the actual wage[67] (Jacobi & Kluve, 2006: 11-12, 19-21; Groot, 2002: 4-5, 11)

The third pillar of labour market deregulation is particularly related to temporary work, dismissal protection and the regulation of fixed-term contracts. The Hartz reforms expanded on the 1990s trajectory of by removing restrictions such as the obligation to re-assign a temporary worker and the maximum length of fixed-term and temporary contracts. However, the reform also ensured equality between ordinary and temporal workers as regards the obligation of equal pay and equal treatment. The dismissal protection and regulations concerning fixed-term contracts are not made less restrictive, but the reforms deregulated as to simplify and widen the number of exemptions from restrictions. For example, the previously mentioned law that the exemption from dismissal protection applies to small firms with 5 employees or less is widened to those with a maximum of 10 employees (Jacobi & Kluve, 2006: 13).

The fourth pillar is the merger of the long-term unemployment assistance (*Arbeidslosenhilfe*) and social assistance (*Sozialhilfe*), which were together placed at the latter's lower level. Most of the legislation constituting this pillar is made public in context of the Agenda 2010.[68] The Agenda itself does also include the third pillar as well as reforms

[64] The subsidy is in fact a loan of up to €100.000
[65] Below the threshold of €25,000 of self-employed income only 10% taxes have to be paid – instead of 19.9% – and the self-employed receives a subsidy of €600 in the first, €360 in the second and €240 from the third year. (Jacobi & Kluve, 2006: 11).
[66] A Mini-Job has an income below €400 per month and a Midi-Job is between €400 and €800 per month. The tax threshold is increased from €325 per month to €400 per month, of which an increasing contribution rate from 0 to 100% between the €400 and €800 income.
[67] *Überbrückungsgeld*
[68] The name is explicitly related to the EU's Lisbon Agenda

concerned with the reduction of pension and health assistance, the reduction of tax income levels and a €15 bln. fiscal stimulus package (Braunthal, 2004: 548. In the former system an unemployed could, once the normal unemployment benefits (since 2005 called *Arbeitslosengeld I*; 60-67% of the former wage) expired after a period of 12 to 36 months (conditional on age and employment history), claim the long-term unemployment assistance (53-57% of the former wage). However, with the reforms, firstly, the general duration of the *Arbeitlosengeld I* has been severely restricted, to a period of 12 months, as well as the increase of the benefit period dependent on age.[69] Secondly, the former *Arbeitslosenhilfe*, thus the long-term assistance that followed after this period, has been renamed *Arbeitslosengeld II* and is indeed placed on the social assistance level.[70] Also, a means or an assets-based test (e.g. on partner income and savings levels) to estimate one's wealth is applied as to determine a certain assistance level.[71] The prior system of generous unemployment benefits were significantly cut, which as such represents welfare state retrenchment unprecedented in post-WW II Germany (Büchs, 2008: 181; Streeck & Tampusch, 2005). Moreover, the unemployment assistance is made conditional upon the aforementioned reintegration obligations and potential non-compliance sanctions – with possible suspension of full payments. This re-integration aim is supported by allowing the unemployed receiving assistance to simultaneously have a low paid job of which the income is not taxed up to a certain level (Büchs, 2008: 182; Jacobi & Kluve, 2006: 10-14).

[69] For people of the age of ≥50 to 15 months, ≥55 to 18 months and ≥58 to 24 months
[70] For a single individual €374
[71] The state covers health insurance, and until 2010 the pension payments, of an individual receiving unemployment assistance

- Chapter IV: The PvdA's Communicative Discourse -

4.1 The PvdA's ideology: a new balance

The PvdA's discourse principally aimed to convince the public that the internal and external pressures on the welfare state are best confronted with progressive ideas, pragmatism and collectivism. The PvdA framed the challenges of society in a positive way because it does not merely relied on the argument of necessity to adjust to them but also portrayed the developments, particularly female emancipation but also European integration and technological change, as desirable from the perspective of progress, freedom and collective prosperity. The PvdA did however not seem to be blind to the troubling condition of the welfare state, high unemployment and rising inequality. Nor did it not see the difficulty to reconcile a pragmatic and positive belief in the market with social democratic ideals of solidarity, collectivism and the social justice. In fact, from the start, the PvdA showed that it had to reformulate several of its social democratic ideals in order to adjust its ideology and policies to the challenges society is confronted with – hence a substantial deviation from the party's fundamental programme (PvdA, 1977). Collectivity has often been interpreted as collective responsibility and not merely as collective solidarity. The PvdA argued that individual responsibility and self-empowerment are necessary values to preserve the welfare state but they are also desirable because they entail emancipation or 'self-progress'.[72] Hence, a balancing act between individualism and collectivism and between the market and the welfare state is observable.

Already in the 1994 manifesto, the PvdA framed the conditions of society in terms of an 'equivocal transition' which contains both challenges and opportunities and claims it provides the most adequate and positive answer. On the one hand wealth and freedom (particularly in the emancipation sense) increase yet on the other inequality and unemployment rise, welfare affordability is threatened and competition from emerging markets and European integration grows (PvdA, 1994: 3-18, 39). The PvdA interpreted the challenges as opportunities to increase overall prosperity and individual empowerment of all classes. These are essential features of society because the PvdA perceived citizenship and self-interest, with the emphasis on freedom, individual empowerment and self-realisation, as the motor of society. Globalisation and European integration as well are interpreted

[72] *Individuele ontplooiing*

positively, because, as the PvdA argued, the market economy has significant efficiency benefits which have to be preserved. There is no necessary contradiction between a dynamic economy and equal opportunity and the distribution of jobs, although equality and solidarity must be redefined as a compromise between employment and material well-being. This redefinition is particularly important as regards individual responsibility as the fundament of collective solidarity, because, as the PvdA claimed, it is not benefits themselves that are the problem of the welfare state, but the imbalance between guarantees, control and reintegration – reciprocity needs people who actively try to reintegrate. The manifesto stresses that the fundamental social democratic ideals of solidarity, the government as civil self-government and keeper of the community, and the public sector as corrector of market failures are mainly under pressure by the weakly and even destructive functioning of the welfare state. The widespread perception of large-scale benefit abuse erodes the trust in the welfare state and social democratic ideals of collectivity and solidarity. Welfare state modernisation is therefore the PvdA's main priority (Ibid.: 4, 6, 22-25, 33, 85-90). Moreover, despite that the PvdA aimed to attain social democratic values on grounds of a positive conception of markets, it explicitly dismissed the sole focus on negative freedom and poses neoliberalism as a "*romantic belief in the* (…) *market*" (Ibid: 5, 34). The welfare state responds to inequality and the alienation of capitalism, and socio-economic policy should provide certainty again. The PvdA argued it can restore the resilience of all and the reciprocity between all by developing a sustainable balance between the market and the welfare state, conditioned upon a strong belief in corporatism. Hence a new social market economy which fosters solidarity and collective responsibility was proposed. Reform should achieve "*sustainable and elementary*" security by means of a shift from austerity and abuse of social schemes to a proper distribution of public, social and personal responsibility (Ibid: 4, 6, 22-23, 30-31, 54). The first objective should therefore be the preservation of key welfare provisions by means of fiscal consolidation, and the manifesto tried to convince the reader that the PvdA is the most capable party to do so. The PvdA namely argued that although support for the party has diminished due to alleged visionless budget cuts in the Lubbers III coalition – which led many to move to the left of the political spectrum – Kok (as the former Minister of Finance) did increase the sustainability and frugality of the welfare state (Ibid: 1-4). To legitimise the consolidation policies in the former coalition the PvdA draws on the concept of 'strict justice',[73] which entails the balance between social/moral rights and duties governing society. In fact, the manifesto describes the

[73] *Strenge rechtvaardigheid*

route towards its recalibrated ideological position on the basis of this concept and claims it has again transformed old socialist ideals into new principles, namely pragmatism and collectivity. The PvdA stressed that politics should gain legitimacy by pragmatically overcoming diverging interests and ideologies and reaching consensus (Ibid.: 31-32)

This new ideological balance between pragmatism and collectivity is most lucidly elaborated in Kok's 1995 *Den Uyl-lezing*.[74] The core of Kok's message is that social democrats have always struggled with the tension between ideals and reality, which results from the attempt to reconcile the social democratic aim to be a broad people's party with socialism as its radical ideology. In order to unite all classes one has to be less principled, more pragmatic – in fact, Kok argued that it is even morally wrong to be too principled, as one then subordinates society to its own ideals. However, if one derives its norms and values and interpretation from practical reality, one misses the ability to influence reality and improve it. According to Kok, social democracy is a 'child of the Enlightenment' since it has "*a positive perception of change and collective wills-formation fed by a sense of justice and civilisation*" (Kok, 1995: 1-5). The welfare state is the most beautiful achievement of this will, but it can only be maintained if there is a proper balance between duties and rights, between the individual and society. Only with the support of the middle-class and social partners would the PvdA succeed in achieving a proper balance between justice, solidarity and self-interest. The quality of society is based on providing protection to those in need and, if possible, rather generous than minimal. However, the welfare state had to be reformed to maintain broad societal support for its affordability – emphasising abuse. The 'administrative solidarity' of the old welfare state must be replaced by solidarity of duties and rights based on self-interest and ideals (Ibid.: 6-14). Kok substantiated this analysis with a historical account, namely of the post-Cold War period. Kok did not underscore the 'end of ideology', because the ability to change society on the basis of ideals remains. However, socialism can no longer provide adequate answers to today's questions and therefore, as Kok argued, "*shaking off the ideological feathers*" is both problematic and liberating. Namely, reformulating one's ideals is difficult but also energizing because one can focus specifically on the practical problems and concerns of citizens. By acting, not in the private domain as liberals do but in the public domain, social democracy must articulate the collective interest and a sense of purpose in times of individualism and secularism (Kok, 1995: 4; 15-16).

[74] The *Den Uyl-lezing* is a yearly held speech in which a prominent PvdA member or closely-affiliated person discusses the social democratic ideology and political course. Moreover The content of this address is widely-known in the Netherlands and the phrase "*shaking off of the ideological feathers*"[74] has often been quoted in relation to the PvdA's ideological recalibration (e.g. in NRC, 2014)

The content of the 1994 manifesto corresponds with that of the subsequently signed 1994 coalition agreement. The document displays the same identification of problems and challenges society is confronted with (TK, 1994a: 2-5). Social security is also assumed to be requiring recalibrated priorities, with more focus on needs, protection of the least well-off and individual responsibility for reintegration into the labour market. Reforms centre therefore around the reduction of eligibility requirements, new job-searching duties, education and training, job placement and the control on fraud and abuse. At the same time, the labour market must be made more flexible and the costs of labour must be lowered by means of moderate wage development and the reduction of additional labour costs. To achieve this, the state must take on a more coordinating instead of directly regulating role (Ibid.: 6-13). However, the coalition agreement is distinct on a few issues, which may be perceived as a consequence of coalition politics in a multiparty system. For example, in the coalition agreement dispensation of the minimum wage in certain sectors is proposed as a possible reform, while in the manifesto it says that the minimum wage will remain intact across the board (Ibid.: 6; PvdA, 1994: 76, 79-80). Yet, since the perspective on society and the ideological considerations underlying the labour market reforms are not significantly at odds, it is not the coalition itself that caused the PvdA's untraditional social democratic employment policies. In fact, Kok himself was satisfied with the first coalition and the content of its agreements, and argued that some policies might be painful but not unreasonable.[75] Deregulation, flexibility and spending reductions are legitimised on grounds of the aforementioned competition pressures and changed societal needs as well as on their assumed effect on the lower classes of society. Employment is a top priority ("*jobs, jobs and, again, jobs!*") to ensure collective prosperity but also a means to personal dignity (TK, 1994b: 5805-5815).

4.2 Labour market policy: the legitimisation of flexicurity

The ideological balancing act and the positive conception of the market also lead to a dual legitimisation discourse on labour market policy, of which the PvdA claimed to have a "*relaxed vision*". Policy should pragmatically and flexibly address immanent competition on labour-costs and new wishes from within society to work part-time, due to modern life-patterns of men and women, though without abolishing social rights and dismissal protection. Hence the PvdA emphasised the need for 'tailor-made' policy. [76] This concept acknowledges

[75] For example, a new own risk rule for health insurance based on increased responsibility and cost-reduction
[76] *Arbeid op maat*

that non-commercial labour is highly valuable, and that flexibility is often desired by both the employee and the employer. Better legal protection for part-time work, equal conditions for part-timers and more funds for child day car are necessary. Moreover, the PvdA believed that, with the classic objective of emancipation of the labour class assumed to be accomplished, attention has to be shifted to societal groups with a weak employment status (not only women but also young people and minorities). Employment policy must focus on the education of young people, and alternative employment, job pools, training facilities and employment subsidisation have to facilitate outsider reintegration **(**PvdA, 1994: 11, 16, 75-85). The other side of the coin is, however, to remain competitive. Therefore the PvdA stated it will, in cooperation with the social partners, achieve moderate wages, lower non-wage labour costs, cuts in social spending to lower payroll-taxes and the transposition of taxation from labour to ecological areas. Social security cannot be passive anymore, it has to be based on activating incentives so that the shift "*from welfare to work*" is realised, without lowering the income position of the least well-off and those in unemployment or disability schemes, as well as on contribution history – long employment must result in relatively more generous benefits (Ibid.: 85-90).

This narrative of the dual objective of emancipating the outsider groups through flexible employment and active integration into the labour market, and increasing competitiveness and consolidating the budget has extensively and consistently been conveyed to the public by minister of SZW Melkert. Emancipation of women and minorities and individual needs as regards part-time work or education are, notably, a central issue in the legitimisation of flexibility. By showing that flexibility is asked for by many citizens (thus newly emerging norms), the PvdA supported the appropriateness of its policies. Moreover, Melkert has very actively tried to show that flexible arrangements are demanded for and not a scapegoat for reducing protection (SZW, 1997a; SZW, 1997b, SZW 1998). Also the cost-reduction efforts as fiscal consolidation and tightened social schemes have on various occasions been legitimised. Melkert frequently argued that the combination of the welfare state with economic growth is not a contradiction. In order to stay competitive and enjoy growth the welfare state does not have to be demolished, it merely needs to be restricted to those who are actually in need of support. However, according to Melkert, the old, traditional welfare state is of the past because the changes within society urge for adaptation by, not in the least, flexible arrangements (Melkert, 1996; Trouw, 1996b).

The legitimisation of this flexicurity agenda is also strongly related to the support of the social partners. The social partners shared the PvdA's understanding of the necessity of

economic conditions which force to depoliticise the labour market and come up with pragmatic and technical solutions. Because the Foundation of Labour is incorporated in the coordinative and the communicate discourses and supported the PvdA's views, it provided legitimacy to the reforms. With the 1993 *A New Course* document the social partners acknowledge that, firstly, there is a direct economic necessity of restructuring the labour market due to rising costs and unemployment. Secondly, the report recognizes the dual need for flexibility and tailor-made policies due to changing preferences and diversity of choice options of both employers and employees. Moderate results-based wage development is needed from the perspective of profitability and competitiveness (SvdA, 1993: 3-7). In 1996 the Foundation directs its emphasis to the security part. It argues that a one-sided focus on flexibility will lead to 'labour-nomads' pending from job to job and therefore flexibility must be complemented by certainty, security and predictability (SvdA, 1996: 1-6). Moreover, the document shows that the government, employers and employees need to reshape their conception of job security and adopt the principle of employment security (Ibid.: 7, 19-33). Importantly, the social partners specifically ask for trust to perceive the flexicurity perspective as an opportunity and not as a threat, and that society is benefitted by a non-ideological interpretation of permanent and temporary contracts (Ibid.: 6, 11, 13).

4.3 The PvdA's message over time

Throughout the Purple I and II coalitions, the PvdA consistently conveyed the narrative legitimising its untraditional social democratic policies. The ideological balancing act between pragmatism and ideals on the one hand and the positive conception of the social market economy and the challenges or, in the PvdA's interpretation, opportunities of globalisation, European integration and changed socio-cultural relations on the other are repeatedly communicated. Moreover, the legitimisation of the labour policies themselves remains similar, particularly as regards wage moderation, flexibility, payroll-tax reductions and compensating tax cuts. Finally, the PvdA remained truthful to its idea that ideological debates on the state and market are unproductive and pragmatism is a more viable route (PvdA, 1998: 1-8, 15, 23-35; Troonredes 1994-2002)[77].

However, some modifications are apparent in the eight year long discourse. The second term discourse relies more on individual responsibility and self-realisation, and employment seems to be slightly less prioritised, although it still is perceived as the basis for

[77] The *Troonredes* are available online, or in: Van Baalen et. al., 2005: 183-263

social justice, individual empowerment and the ability to pay for social security. The PvdA's shift in attention is particularly apparent in its changed credo – from "*jobs, jobs and jobs*" to "*jobs, education and income*" – and broad political objectives – equal opportunity, participation and emancipation instead of the 1994 solidarity, collectivism and the reduction of social deprivation (TK, 1994b: 5807; PvdA, 1998: 1-3; 14). This thus seems to indicate a more liberal or social progressive than a social democratic orientation. However, the PvdA argued that these values are essential to the welfare state and therefore to the lower classes of society. With the increased ability to pay for social schemes, the Netherlands was held to be capable to move down the path of progress even further and that the new objectives as well as collective prosperity and the welfare state are best satisfied with its policies (PvdA, 1998: 3-7).

The PvdA could of course rely on the cognitive soundness and appropriateness of its former policies to justify the mild change in attitude, since as the PvdA itself claimed, Purple I restored the confidence in politics and the affordability of the welfare state and proved to be able to achieve the objectives of high employment, balanced budgets and universal social security - although the new balance between social justice and economic viability is still not perfect (Ibid.: 1-2). The PvdA drew quite extensively on good employment results. Although it admitted that the economic tide helps, the discourse reflects the belief that the policies themselves are producing positive outcomes (e.g. Troonrede, 1995). To achieve the right balance, the PvdA argued for modern arrangements for modern times and particularly draws on the previously unmentioned idea of the 'knowledge-economy' (PvdA, 1998.: 4, 6, 9-11). Therefore, for the following term, the PvdA proposed to continue its labour market policy but with special emphasis on investment in education, flexibility – posed to respond to emancipation, yet also employers' needs (Ibid.: 5) – and the inclusion of outsider groups with more stimulus (e.g. by extension of the ID-jobs, child care facilities and the right to part-time work). ALMPs are legitimised by the assumption that employment is the best security. However, it was also argued that wage moderation, tax reductions and the coupling of social schemes to income development cannot be abandoned. With an even better budgetary position, the PvdA would increase the income position of the low-wage employees by fiscal provisions and social benefits while simultaneously lowering payroll-taxes (Ibid.: 23-35).

Again, the PvdA's ideological position may be regarded as a deliberate act because the 1998 coalition agreement exhibits the same balance between pragmatism and collectivity as the 1998 manifesto. However the first text has a more 'liberal flavour', for example as regards the frequency of words as 'individual talent or 'self-realisation' (TK, 1998a: 1-8). Observing

the proposed policies it is clear that the ALMPs are indeed not merely anymore apparent in words but in practice (par. 3.2). Unemployment benefits would become more restrictive and the savings were proposed to be used for education, mediation and reintegration. Also, more incentives were included, for example the cabinet aims to introduce a phased-in duty for people above 57.5 years to solicit. Yet the coalition aimed to maintain intergenerational solidarity and care for elderly people by linking the public pension (AOW) to income development in collective agreements (Ibid.: 15-33). Kok's parliamentary address on the 1998 Purple II coalition underscores this observation and one can distil from his speech the notion that other issues as education, investment and taxation enjoyed relatively more priority. However, Kok substantiated his oral commitment to employment by, *inter alia*, installing a second secretary of state for the SZW ministry. Moreover, Kok did not lose its modern social democratic discourse because he explicitly appealed to the national tradition of cooperation and provides a picture of the inclusive society which is characterised by opportunity and solidarity (TK, 1998b: 1-11).

4.4 Parliamentary deliberations: acceptance and criticism

The Purple I and II coalition agreements and related policies were by most members of parliament accepted on the basis of either election results or a shared conception of the necessity to respond to economic pressure and socio-cultural changes, albeit that often different interpretations of the right means were proposed (TK, 1994d: 2122-2154; TK, 1998c: 6-13, 23-24; TK, 1999: 27-28, 71-78).

Most importantly, the parliamentary responses to the 1996 Flexibility and Security proposals testify of its general acceptance. Namely, most parties supported the mutual constitutiveness of flexibility and security and the inclusion of the social partners in the policy-making process – as the liberal democrats (D66) mention, the proposals are not any longer controversial. However, at the same time, many addressed the problem of the relatively weak emphasis on security and the misinterpretation of the unemployment problem. The CDA for example agreed that this policy-mix allows for much needed innovation and adaptation thus improved allocation of temporary workers. Yet is posed that the problem with the proposals is that it does not discern between internal and external (numerical) flexibility.[78] This reproof was also conveyed by the Greenleft[79], although it did not want to underscore the

[78] Respectively, the flexibility of labour contacts as regards the working time of employees within the firm (e.g. weekend shifts) and the inclusion of the unemployed (e.g. by less strict employment protection)
[79] *Groenlinks*

assumption that the Dutch labour market is rigid. Moreover, it was argued that the absence of demand is the root cause of unemployment. On the other hand, the liberal VVD argued that flexibility is in fact economically sound but also morally desirable – because of its value of self-realisation – and stated that it is surprised that security is even included (TK, 1996: 1-10).

Leaving deliberations or accusations on means as well as criticism from one-issue parties aside (e.g. representatives of elderly people who attack the coalition for constraining access and disbursement levels of public retirement schemes[80]), let us turn to accusations concerned with the illegitimacy of the coalition's policies and the ideological turn of the PvdA. Not surprisingly, most fierce accusations of illegitimacy and ideological condemnations were made by the largest opposition parties the Greenleft and, particularly, the Socialist Party (SP). P. Rosemöller (Greenleft) argued in 1994 that the PvdA broke its electoral promises such as the partial dispensation of minimum wage – a correct accusation. Moreover, Rosemöller claimed that the PvdA is responsible for increasing income inequality and the introduction of 'the working poor' and that reintegration by job placement is an ineffective measure to increase employment (TK, 1994c: 54-49). On another occasion Rosemöller argued that with a coalition including the liberal VVD the balance between collectivity and individuality is gone, and Rosemöller held the PvdA responsible for the 'de-ideologisation' of society by Third Way policies – which he regards as highly undesirable (1998c.: 40-43). An indirect response to this criticism is provided by, now fraction leader, Melkert. According to him, the PvdA sets norms and values for all society instead of leaving moral judgements to the private sphere (TK, 1999b: 50). Moreover, Melkert argued that the Netherlands need growth and a better budgetary position to increase solidarity and certainty (TK, 1999b: 23-30). In fact, Melkert showed that the division in society of those who participate and those who do not, asks for a new sense of solidarity – one that enables all to participate fully (TK, 2000: 19-22).

J. Marijnissen (SP) accused the PvdA of being neoliberal. Marijnissen pointed at the emphasis on individual responsibility and argues that responsibility does not imply reduced social security. Moreover, he attacked the PvdA on its incentives-based policies as being previously unthinkable (TK, 1994b: 5865-5868; TK, 1994d: 2126-2127, 2191-2194). Moreover, Marijnissen asserted that the measures lead to more inequality, reduction of certainty and the impoverishment of the lower classes. He claimed that there is a growing disbelief in society that while the economy grows and profits rise the ordinary citizen sees his

[80] The *Unie 55+* (or even the confessional party *RPF*) e.g. in TK, 1994c: 55, 63

wage stagnate and social security decreased (Ibid.: 1994c: 60-62). Finally, Marijnissen indicated that the word 'poverty' is not mentioned in the government's documents and that the PvdA is responsible for the disappearance of the "*obviousness of solidarity*" between the haves and the haves-not. The tax system does not reduce inequality and the PvdA solely focuses on debt reduction and not on poverty alleviation (TK, 2000: 54). This argument was supported by the CDA and Greenleft, who both argued that the focus on reintegration from social security to employment is a proper labour market policy which, however, not addresses structural poverty (TK, 2000: 3-5, 32-34). Kok responded to Marijnissen's criticism by arguing that state retrenchment is not the same as reduced equality of opportunity. The times of paternalism are over and the best way to restore faith in the welfare state is by policies based on equality of opportunity with equality of responsibility. Kok defended the wage moderation and containment of social benefit levels as policies of common sense, because the simple fact is that rising costs ask for measures which ensure sustainability. Moreover, rising income inequality were confuted by arguing that lower income taxes and other subsidies compensate. Kok remained pragmatic and argued that the SP's conception of society may sound sympathetic but that it is unrealistic (TK, 1994c: 69-71, 77-80, 135-136).

- Chapter V: The SPD's Communicative Discourse -

5.1 Phase I: New Middle discourse

The SPD posited itself as the better alternative to the former coalitions (with the campaign slogan 'not different but better') and takes on a renewed political identity by attributing itself with the name 'New Middle' (*Neue Mitte*). The SPD framed the election campaign in terms of the weakness of the former coalition to constitute change, particularly regarding unemployment and federal debt. The SPD claimed that it will, by uniting all parts of society, halt unemployment – with full-employment as the long-term objective – and step-up fiscal consolidation efforts (SPD, 1998: 5-8).

Regarding the 21st century challenges (economic globalisation and European integration) and the diminished support for the welfare state, the SPD argued that Germany needs a positive view on labour, innovation and justice so as to attain a competitive and innovative economy with secure jobs, social security, intergenerational solidarity and justice. The New Middle politics – in 1998 still rather vague – centralises the modernisation of the social market economy wherein the state is an enabler of the participatory society in which citizens taken on their individual responsibility to contribute to society and receive a fair share of the jointly earned wealth. By combining performance, competition and social responsibility, Germany will reap the benefits of markets and social stability – particularly by competition which creates innovation and new jobs. Society is not allowed to be "*corrupted ever more*" by welfare abuse and illegal employment (Ibid.: 6). Although people are willing to make sacrifices, social justice cannot be pressured furthered and therefore the best recipe for change is based on a fair balance of interest in which all give and take. Hence the SPD includes citizens, trade unions, commercial interests and churches. The SPD promised to mobilize trade unions and commercial interest in the Alliance for Jobs, Innovation and Justice[81] to deliberate on the measures needed to reduce unemployment.

The modernisation process is based on, firstly, fair and equitable reforms because the SPD knows, as is claimed in the manifesto, that social innovation and not cuts in social benefits is the key to economic success. Secondly, the modern economy relies on education, research and science – investments are promised to be doubled – as well as on high qualified workers and, more generally, people who are motivated to work for their place in society (e.g. those 'desperate to find employment and justice') (Ibid.: 5-14). Moreover, women are a

[81] *Bündnis für Arbeit, Innovation und Gerechtigkeit*

central element because the SPD stated that by including them in the labour market Germany will "*overcome the political and cultural rigidities*" and enforce gender equality (Ibid.: 28). The modernisation means, on the one hand, reducing state debt and non-wage labour costs, wage moderation, lowering income tax to stimulate domestic demand and promoting venture capital and the service sector. On the other it entails more flexible jobs and working hours (particularly part-time employment), activation policies (e.g. training programs and job rotation) and the combating of unfair labour practices. The practices of social and wage dumping, illegal employment and pseudo-self-employed have to be tackled in order to restore law and order in the labour market. This implies a complete overhaul of the labour market and the public employment system so to finance work instead of unemployment. Therefore the SPD will reduce spending on unemployment benefits and assistance and direct revenues to activating measures to reintegrate the long-term unemployed (Ibid.: 8-17).

Schröder accentuated in his coalition statement[82] the importance to modernise, to restore social justice and to promote individual responsibility – the coalition should be judged on its reduction of unemployment. Schroder framed the former period as one of stagnation and voicelessness, and accuses the CDU/CSU for neglecting the long-term budgetary problem and underestimating welfare state expenditures (Deutscher Bundestag, 1998: 47-52; Schröder, 1998a: 3). Notably, Schröder directly addressed the fears of people that welfare state reforms call for many changes, yet people should be more afraid for stagnation than change (Deutscher Bundestag.: 57-58). Schröder reassured the parliament that, for example as regards tax reform, policies are based on "*economic necessities* [and] *combines modern pragmatism with a strong sense of social fairness*". However, although the reforms are intended to to "*distribut*[e] *societal burdens more justly*" they are concerned with the employed, families and SMEs and it does not mention redistribution or the reduction of income inequality (Ibid.: 51-54). Schröder's welfare state picture is based on Germany's financial capability and its moral obligation to fight injustice, although a new focus on responsibilities instead of rights is needed. Abuse and illegal employment must be fought and the welfare state must be a trampoline instead of a safety net so people can 'jump back into a self-responsible life' (Ibid.: 57). Moreover, the flexibility agenda is not merely posited as a means to increase the ability to adjust to business cycles but also as part of the emancipation agenda, particularly for women. In fact, Schröder explicitly says that the coalition will fight traditional social structures and meet the needs of modern families and singles (Ibid.: 59).

[82] *Regierungserklärung*

The New Middle discourse reflects an unambiguous shift from the former Berlin Programme because its content and terminology are much less inspired by socialism (SPD, 1989). The fact that the manifesto often mentions motivated workers and (courageous) entrepreneurs indicates the SPD's orientation towards the active and higher classes of society. Although solidarity, social justice and the inclusion of all (motivated) people are core SPD values, the emancipation of the labour class or redistribution are not mentioned. Equal opportunity, individual responsibility and initiative are the New Middle's values. Hence, for example, receivers of unemployment benefits are obligated to accept jobs offered by placement services or else benefits will be cut, because "[i]*n a community there are not only rights but also obligations*" (SPD, 1998: 21). At the same time, the manifesto promises to establish minimum taxation for high-incomes and continue universal health care accessibility, increase social housing and reverse former pension benefits reductions. However, these examples are not central in the manifesto and seem to lack priority for the SPD as they are mentioned at the very end (SPD, 1998: 21-25, 33-34).

The Red-Green I coalition agreement[83] echoes the SPD manifesto considerably and therefore the policy shift is not a consequence of coalition politics. Although there is stronger emphasis on sustainable development and energy policy, the perspective on the challenges, welfare state reform and the shift from passive to AMLPs are similar. Employment policy is the top priority and reforming the social market economy is proposed as the solution to Germany's economic, financial and social problems (SPD & Bündnis 90/Die Grünen, 1998). Some variation in the use of words are notable but minor. For example, the coalition partners appeal to the social partners to deliberate in an alliance, yet it is called the Alliance for Labour and Education[84] – note the absence of the word 'Justice' included in the 1998 manifesto. However, the objectives of solidarity between generations and between East and West and the equality of men and women are included. In fact, the coalition agreements explicitly displays the same interpretation of social democracy, namely as based on a strong welfare state which covers the largest life risks, promotes solidarity and equal opportunities, and which enables individual responsibility and autonomy. Moreover, social justice is interpreted not as to reduce inequality but to halt the growing gap between the opportunities of the rich and the poor (Ibid.: 3-7, 23-24).

[83] *Koalitionsvertrag*
[84] *Bündnis für Arbeit und Ausbildung*

5.2 Phase II: open ideological contestation

The New Middle discourse was initially not ill-received. The opposition, particularly the CDU/CSU and the FDP, were proponents of the policy agenda and the public was satisfied by the Red-Green announcements to reverse several former welfare reforms.[85] However, the ideological conflict became undeniable when Schröder published an analysis of modern social democracy in cooperation with Tony Blair. The Blair-Schröder paper was met with widespread attention and criticism – particularly from the SPD's left-wing. Moreover, it served as a reference document for the Alliance to legitimise its labour market proposals (Buchs, 2005: 175-178). Criticism was partly a consequence of the open connection of Schröder with Blair, who is generally perceived as liberal. More importantly, controversy appeared because the New Middle is ideologically equated with the Third Way[86]. Core social democratic values are adjusted to globalisation and European integration yet also framed in moral judgements. Namely, the paper states that "[t]*he promotion of social justice was sometimes confused with the imposition of equality of outcome. The result was a neglect of the importance of rewarding efforts and responsibility, and the association of social democracy with conformity and mediocrity rather than the celebration of creativity, diversity and excellence*" (Blair & Schröder, 1999: 3). This not only deviates from traditional principles as equality of living standards, but it in fact implicitly condemns the objective to create a society of institutionalised solidarity and the equality of citizens regardless of individual merits. Moreover, the two politicians have a positive perspective on free enterprise and market forces and a more negative one on the state's ability to correct market failures or to be actively involved in the economy (Ibid.: 3-5). Although both neoliberal *laissez-faire* and Keynesian policies are rejected and a mixture between micro-economic flexibility and macro-economic stability are proposed, the actually suggested policies are supply-side oriented and focus on lower taxation, particularly of corporations (Ibid.: 5-11). The paper's significance should not go unnoticed, because it is often perceived as a move to force the traditionalist SPD-members to accept Schröder's modernist interpretation. Although the balance between the traditionalists and modernists already shifted to the latter with the resignation of Lafontaine, the first were still strongly represented in the party (Pautz, 2009: 124). In the paper's aftermath, Schröder had to address the criticism on his modernist views as many accused Schröder of being neoliberal. Therefore Schröder convinced the SPD-members at the 1999

[85] These parties also supported the Hartz I-IV reforms, albeit that many publicly defied the reforms (Der Spiegel, 2004b)

[86] Something which, in terms of practical policies, is ambiguous or false (Clasen & Clegg, 2004: 91)

Bonn party convention that the SPD needed a debate on its new programme before the 2002 elections (SPD, 1999).

The SPD's struggle for a clear and consistent ideology and corresponding view on employment is well-captured by two 2001 reports. The first is an attempt by the SPD's expert Group for the Future of Labour[87] to present a labour market policy adequate to foster growth, innovation and fair participation. It marks the tipping point of the SPD's shift from traditionalist to modernist policies (Buchs, 2005: 174-175) as it proposes measures consisting of a mix between active and activating policies. Many issues are purposely left open for political consideration because no definitive decision on either of the positions can be made. Importantly, the report argues that employment policy needs a new relation between rights and responsibilities, based on the principle of *Fördern und Fordern* – encourage and demand or support and challenge – which will be an essential part of the post-2002 discourse. The new balance must be promoted yet the welfare provisions should not be eroded. The group realised that the proposed policies are a significant departure from the traditional German system, and found it difficult to show that the SPD is not moving Germany into the Anglo-Saxon realm – e.g. as regards wage moderation (SPD, 2001a). The second report, of the Basic Programme Commission[88] assigned by Schröder to establish a debate on the new social democratic vision for after the 2002 elections (yet already serving this government's agenda), exhibits the ideological conflict – particularly the manner in which the Commission argues to satisfy social democratic principles and welfare achievements while simultaneously addressing challenges as competition (SPD, 2001b: 2-3). The Commission indicates that two decades of neoliberalism left social and ecological problems untouched and argues for a principle of equality which is not merely legal but practical in the sense of a level playing field of opportunities with guaranteed minimum living standards. Sustainability, particularly in the social sense, is proposed as the essential principle upon which justice and solidarity must be based. However, sustainability of benefits and economic growth is only attainable with a stronger emphasis on individual responsibility and the duty to participate. Solidarity is perceived in a fairly liberal fashion, namely as the collective responsibility of the activating state to ensure individual freedom and inclusion. Inequality remains a challenge for the welfare state, yet it should not be fought by redistribution of wealth but by fair individual contributions and participation (Ibid.: 9-18). The knowledge-economy is a necessity but also a value because it enables individual development. Flexibility, initiative and self-

[87] *Projektgruppe Zukunft der Arbeit*
[88] *Grundsatszprogrammkommission*

support/independence are another, although the Commission underscores the increased pressure to perform for employees. Flexibility ought to be, however, demanded to increase human capabilities under dignified circumstances. Full-employment remains a social democratic goal but the core objective is to ensure competitiveness in a globalised economy without endangering social cohesion (Ibid.: 19-21, 58).

Despite the open ideological contestation Schröder remained relatively popular, because the reforms either reversed former decisions or directly stimulated employment. Moreover, Red-Green I enjoyed legitimacy because it was successful on several widely-supported non-socioeconomic areas (Braunthal, 545-546).[89] The oral commitment to justice and solidarity was credible and economic conditions only deteriorated in 2001-2. Schröder could therefore claim that the containment of the rise in unemployment was a consequence of the coalition's efforts (Schröder, 2000). Yet legitimacy was also preserved by Schröder's inclusive and understanding discourse. Schröder practiced an empathetic discourse in which he, on the one hand, admitted the difficulties of unemployment and the rapidity of social change ignited by technological and economic pressures and, on the other, provided a collective purpose and confidence in progress. For example, in his new years addresses, Schröder said to be convinced to come to fair and profound changes together with all Germans and asked his fellow citizens to leave bad experiences behind and commit themselves to optimism and trust. Although Schröder already appealed to individual responsibility, his message, on for example retirement benefits, was still balanced by sympathetic notions as "[i]*t is not all about money. It is also about compassion with and care for others*" (Schröder, 1998b; Schröder, 1999).

5.3 Phase III: discourse out of balance

In the Red-Green II term the SPD's discourse was more (social) liberal and less understanding, in fact more obligating, and several important miscommunications fuelled public disbelief in the SPD's truthfulness to solidarity and social justice. Moreover, despite the debate on its ideological course, the SPD did not manage to find a satisfactory social democratic narrative for its policies. The starting point of the gradually eroding legitimacy is the placement figures scandal, because not merely is the establishment of the Hartz Commission interpreted as a sign of weakness – not an uncommon attitude in Germany – the public also interpreted the failure of the BA to foster reintegration as a consequence of Red-

[89] Schröder's popularity was primarily based on his refusal to join the U.S. and Britain in the Iraq War and his strong performance in the Elbe flooding

Green I policies (Groot, 2002: 3). However, the SPD's discourse and particularly the Agenda 2010 caused most of the controversy.

In advent of the 2002 elections, the SPD posited itself in its manifesto as distinct to the conservatives and as a social and liberal party – e.g. its accuses the CDU/CSU for its gender agenda (SPD, 2002: 6). The elections were framed as a decision for either gender equality or female exclusion, for sensible rules or *laissez faire*, for liberal cosmopolitanism or nationalist narrow-mindedness and for budget consolidation or pushing the bill to the future (Ibid.:5). The SPD would only consider another Red-Green coalition, if the elections permits, and explicitly excludes the PDS (Ibid.: 70). The manifesto asserts that Red-Green I has broken the reform deadlock and Germany's economy is more robust modern, fair and open. The New Middle politics of social and ecological modernisation remains because today's challenges cannot be addressed with yesterday's recipes. Furthermore, Schröder remains the most suitable candidate because he innovates Germany and enjoys confidence (Ibid.: 4). Although the SPD proposes a value-based policy of freedom, solidarity and justice, it also holds that pragmatism and opportunities are essential, and that social justice can only be acquired with a sense of economic rationality (Ibid.: 9, 21). Throughout the election manifesto there are slightly less references to solidarity and social justice, and the previous objective to enforce gender equality seems absent because family cohesion is heavily supported – perhaps caused by rising CDU/CSU popularity (Ibid.: 22-23, 27, 44-48). Noticeably, employment reform remains a key priority – although other areas as Germany's role within the EU are more prominent – and the SPD claims success in solving the pressing problems by ALMPs and reduced labour costs. Although more needs to be done as regards the BA, SMEs and the middle class, unemployment is reduced (Ibid.: 7).[90] Moreover, the SPD stressed its progress on tax justice by abolishing unfair tax exemptions and limiting benefits for the highest incomes and lowering taxes for the lower incomes (Ibid.: 23). The SPD would restore the balance between labour supply and demand, based on a fair balance between economic needs and employment security. However, it is stated that the dismantlement of workers rights is not conducive to Germany's competitiveness. Social security must be activating and the reforms will continue to be based on the principle of *Fördern und Fordern*. Importantly the SPD again guaranteed that it will not bring the unemployment benefits to the lower social assistance level since the SPD has "*a special responsibility for the disadvantaged in society*" – a promise soon to be broken (Ibid.: 23, 43-44).

[90] From 4.279.200 in 1998 to 3.851.636 in 2001. In fact, this claim is false, given the figures in table 1 and the analysis of Seelib-Kaiser, 2002: 19

The Red-Green II coalition agreement reflects the same objectives of and policies proposed by the SPD in its 2002 election manifesto and it may be considered as largely continuing the course of Red-Green I. The main difference, however, follows from the priority and content of labour market reforms, which are more far-reaching, and the stronger emphasis on responsibilities and duties (SPD & Bündnis90/Die Grunen, 2002: 7-14; 51-53). The labour market and federal finances are stronger represented than in the 2002 manifesto and the coalition promises to fully implement the Hartz Commission's recommendations. Importantly, the *Fördern und Fordern* concept will be the guiding principle for the labour market and welfare state reforms. In fact the coalition agreement states that even more will be demanded of the individuals' own responsibility to reintegrate into the labour market (Ibid.: 9, 13, 24, 52). In particular, the coalition wants more flexibility as regards temporary workers as well as an extensive reform of the BA and social security. The latter includes the merger of the unemployment and social assistance scheme, which is proposed as a means to pool the resources and expertise of the still separate agencies and therefore increase the ability of counselling, mediation and reintegration (Ibid.: 12-13). Moreover, structural reforms reducing federal social expenditures are regarded as indispensible and permanent subsidies are perceived as a burden to the public, inhibiting growth and employment and distorting the market. The flexibilisation of employment is complemented by additional labour rights (e.g. right of say in a company) and labour conditions (e.g. stress prevention) –the New Quality for Work initiative (Ibid.: 14).[91]

Yet, the commotion became truly significant when Schröder held his 2003 parliamentary address on the Agenda 2010. This seminal speech essentially asks for courage for peace and change, following from the dire necessity to structurally reform the labour market and the welfare state by tax reforms, expenditure restrictions, deregulation and, most importantly, the reduction of social benefits. The discourse is particularly significant as regards the issue of necessity and the cuts in social benefits. Firstly, Schröder argues that the necessity follows from the economic downturn and a for over fifty years untouched welfare state. Noticeably, it is not simply argued that reforms in general are necessary but that these specific reforms are inevitable. Schröder namely said that "[t]*hat is how it is, and I don't think it would be any different. Occasionally, unpopular measures have to be implemented anyway – and, by the way, I am not greeting these measures with enthusiasm either. But they are necessary nonetheless*." (Schröder, 2003b: 9). Moreover, although this speech aims to

[91] *Neue Qualität der Arbeit*

establish trust and courage, Schröder framed the necessity in terms of fear when saying that "[e]*ither we modernise (...) or we are modernised (...) by unchecked market forces*" (Ibid.: 2). Secondly, the benefit cuts in context of the merged unemployment and social assistance provoked controversy because of the SPD's electoral promise not to cut these provisions. [92] Moreover, Schröder announced the cuts while simultaneously relating it to the *Fördern und Fordern* principle, thus to promote individual responsibility and demanding that every individual makes greater efforts. Interestingly, the unemployment problem was not mainly perceived as being caused by low demand and structural factors inherent to the market system but as a consequence of a weak labour supply. This is not merely a result of the malfunctioning placement services but, more importantly, as a consequence of illegal employment and particularly the passivity of unemployed people themselves. Schröder commanded a mentality shift because he does not "*accept the idea that people who are equally ready to work should receive different levels of financial assistance*" (Ibid.: 5). Hence Red-Green II would implement positive (wage subsidies) as well as negative incentives (sanctions for the refusal of 'reasonable' job offers). Here Schröder's discourse appeared inconsiderate, as this "*is a clear message to those people in our society who have been unemployed for more than twelve months. In the future, however, no one will be allowed to live off the community*" (Ibid.: 6). Thus, Schröder did not seem to discern between unwillingness to participate and structural exclusion. The view on the duality of necessity to reform and the appeal to a mentality of strict individual responsibility is clearly exemplified by Clement's reaction to the Agenda 2010 speech. Although Clement seemed sympathetic to individual problems and supportive of values as intergenerational solidarity, his speech reflects the primacy of the economic rationale underlying this dual view, particularly when he answers the question why Schröder appeals to self-awareness, responsibility and courage to change: "*It is to improve he international competitiveness of* (…) *Germany*" (Clement, 2003). The problematic aspect of his discourse is that the long-term objective (to have a firm European-oriented economy which secures the welfare state for another century) based on the negative reasons of economic necessity exceeds the positive and social democratic notions both in number and in commitment (Ibid.).

The Agenda 2010 was presented in combination with unemployment figures which, due to the merger, now stood at over five million. Clement's public appearances in which he explained that the number was a result of a statistical change did not abate the turmoil

[92] The SPD broke another electoral promise by withdrawing its proposals to tax profits on stocks (Braunthal, 2004: 551)

(Frankfurter Allgemeine, 2005). Political opponents, who would later support the Hartz IV legislation, framed the Agenda as 'unacceptable' or 'dismantling the welfare state' (Berg, et. al. 2004). SPD dissidents publicly criticised their party leadership[93] and one dissident group started a signature campaign to hold a SPD referendum on the proposed policies. Although an unsuccessful attempt, many of them left the party and the SPD looked weak and inconclusive (Braunthal, 2004: 549-550).[94] Furthermore, the SPD leadership was publicly condemned by the DGB. The DGB, having strong historical ties with the SPD,[95] criticised the SPD for breaking its promises and organised mass public protests (more than 1.000.000 citizens) in various (Eastern) German cities on Labour Day. Although the SPD tried to convince the DGB with concessions, the relationship between them deteriorated. This is evidently displayed by the fact that the DGB's two largest unions, comprising of over 65 percent of trade union members, declared not to sit around the table with the other DGB members and Schröder. In subsequent years, thousands terminated their SPD membership, hundreds of thousands continued to protest – especially in April 2004 – and the SPD lost several *Länder* and the European Parliament elections. Moreover, Schröder threatened to resign twice if the Hartz reforms were not accepted (Braunthal, 2005: 555-567).

5.4 Internal criticism

The criticism of SPD members delivered at the 2003 and 2004 party conventions[96] was largely focused on the SPD's communicative discourse. To some extent, members principally disagreed with the content of the reforms (particularly the cuts in unemployment assistance) (e.g. SPD, 2003a: 35; SPD, 2004: 27-28), yet the largest share of members underscored the necessity of the reforms (e.g. SPD, 2003a: 28, 40; SPD, 2003b: 91-92) and most of them supported the Agenda 2010 (ca. 90%) (SPD, 2003a: 111) as well as the general political course (ca. 80%) (SPD, 2003b: 259). However, many members voiced their concerns about the SPD's message and the manner in which it is conveyed.

At these conventions, Schröder himself declared that the SPD had to convince the public of the economic necessity of the policies, even though it could only promise to

[93] For example, the Forum Democratic Left 21 (organised in June 2000) led by former Young Socialists (Jusos) chairperson A. Nahles and consisted of various groups, including 1968 generation veterans, unionists, Young Socialists and the party's juniors (Braunthal, 2004: 549)

[94] The dissidents only gathered 25.000 signatures while 67.000 were needed. More than 43.000 members left the SPD (Braunthal, 2004: 549)

[95] ca. 75% of SPD deputies are labour union members (Braunthal, 2005: 549-552).

[96] Berlin, June 2003 and Bochum, November 2003, and Berlin, March 2004 conventions were held to retain broad SPD support, although the latter is also intended to vote on the party chair change from Schröder to F. Muntefering

maintain the existing levels of prosperity and social security (SPD, 2003a: 16, 20, 23). Moreover, Schröder addressed the conventions by linking the public controversy to the SPD's internal struggles and loss of members. His main point was that, given the goals of the reforms, controversy within and outside the party are understandable but that the message only comes across and trust would only be regained when the SPD speaks with one voice (SPD, 2003b: 47-68).

Several members underscored this, but also pointed at the bad and often contradictory communication[97]. It was argued that the SPD first says in a debate with employees that taxes will be lowered but that the next morning paper indicates the SPD will subsidise employment as compensation. Namely, if the SPD thinks the reforms are right, but people are leaving the party, the SPD must convey its message better (SPD, 2003a: 71). Communication indeed seemed to be a problem, because it was also argued that because the SPD did not sell its policies properly it was known for its cuts in social benefits, not for its modernisation (SPD, 2003b: 81). Others argued that it is not solely a problem of communication but one of detachment from its traditional constituency. For example, the discourse *within* the party is concentrated on students and not on the difficulties of people with low wages (SPD, 2003b: 86-88). Moreover, some pointed out that trust is not gained or preserved when the SPD leaves the party programme aside in the design of the Agenda 2010 – particularly the principle of proportional burden sharing (SPD, 2003a: 35-36). This observation led some to conclude that the SPD should not take up this 'there is no alternative' discourse on globalisation but politicise the globalisation debate as the SPD was used to (SPD, 2003b: 93). Others proposed a more combative, in fact socialist, discourse which rejects the neoliberal and neoconservative dominance in the EU and which questions the globalisation's supposed neutrality (SPD, 2004a: 25-26). Moreover, it was claimed that the discourse exhibits a lack of vision and that although necessity should be emphasised social democratic values as social justice and solidarity are largely absent (SPD, 2003a: 31). Hence several members concluded that Schröder is unable to appeal to the hearts and feelings of both party members and the general public. In fact, annoyance with the rhetoric of necessity is apparent, and it was asserted that the SPD is obliged to develop alternatives which actually do include solidarity and justice (SPD, 2003a: 72-73). One member converged the points of miscommunication, overemphasis on necessity and the weak position of values when stressing the need to find a narrative which

[97] This analysis is also supported by various political commentators and journalists (Berg, et. al., 2004). Moreover, as Wehler argues, neither did Schröder solicit for voter's understanding or approval with regular public appearances or did he address them with sympathy for their problems. In fact, Schröder mostly made casual comments on the reforms necessity (Wehler, 2005)

is clear on credibility, reliability and which shows determination and provides hope. People should know that the SPD takes their personal circumstances into account with the reforms, because the SPD's credibility depends to a large extent on the display of seriousness with which reforms are approached and that it must distinguish itself from others who say reforms without pain are possible (SPD, 2003a: 78).

However, it does not seem that the criticism on communication is taken seriously, because on several occasions Schröder did not exhibit a more sympathetic attitude to the SPD's constituency or a more combative discourse oriented on solidarity and social justice. For example, in the December 2003 New Years address, Schröder showed the reasons for the reforms but made the controversial statement that "*[y]ou have it to a large extent in your own hands* (…) *You can personally be the economic engine: your trust in the future co-determines the employment of your neighbours*" (Schröder, 2003c). Nor did Schröder seem to be impressed by the protests and public discontent. When confronted with his unprecedented low popularity, Schröder held that "*the people has the right to think what it wants to think*" and posited himself as a martyr who pushed through necessary and correct reforms (Berg, et. al., 2004).

- Conclusion -

The discourse analysis displays subtle but significant differences in the manner in which the PvdA and the SPD publicly legitimised their untraditional employment reforms. After having identified that the Dutch and German political economy regimes and welfare state reforms were largely similar at the beginning of the cases their respective timeframes, the thesis showed the theoretical and, to a large extent, the practical similarity of the PvdA's and SPD's employment and general welfare reforms. The main analysis exposed the legitimating communicative discourses, which are equivalent on a number of issues. Foremost, both parties sought to justify unconventional reforms by arguments of necessity as regards the external (globalisation and European integration) and internal challenges (demographic change, new role patterns and welfare abuse) – which are also interpreted as opportunities. The PvdA and the SPD seem to have a positive conception of the market albeit that the welfare state and the regulating government are assumed to counterbalance its negative effects. The shift towards ALMPs and constrained social benefit provisions is argued for in a framework of a new balance between collective and individual responsibility in which equality of opportunity instead of outcome serves as the basis of social justice.

However, the conveyance of the legitimisation is primarily dissimilar in terms of consistency, the emphasis on individual responsibility and emancipation, cognitive soundness, appropriateness and considerateness. Although the thesis admits that the economic conditions (due to diverging economic tides and German reunification) and, to some extent, the content of the policies – the lowering of the long term unemployment benefits and the scope of the BA reforms in particular – are distinct, the analysis does allow to conclude that discourse is a considerable factor in explaining the difference in public controversy. The PvdA expressed its modernist message in a consistent way and repeatedly linked flexible labour to emancipation – plus it could rely on the soundness of its reforms by pointing at the economic progress and the inclusion of social partner demands. Pragmatism is inextricably linked to welfare affordability and solidarity, hence adherence to social democratic values remained credible. In contrast, the SPD's discourse shifted gradually towards a strong liberal tone with the emphasis on *Fördern und Fordern* and it focused more on the economic rationale and inevitability of the specific reforms instead of social democratic values. Solidarity is primarily interpreted in the intergenerational sense and not in terms of classes. The absence of the DGB and of the two important employer unions in the Alliance did not contribute to the reforms'

legitimacy. Moreover, the open ideological contestation made the SPD look weak and indecisive, which further diminished faith in the reforms' soundness and appropriateness. Finally, the SPD communicated its discourse ambiguously or even unthoughtfully – the increase in unemployment figures due to the statistical effect of the social schemes merger in particular – and Schröder's empathetic and understanding tone disappeared in the second term. Therefore, in sum, the thesis shows how the communicative discourse reveals the legitimisation of the ideological and policy shift, and that discourse indeed codetermines the differences in public acceptance of the policies.

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- Appendix: Tables & Graphs -

OECD Data tables are available on http://stats.oecd.org/

Trading Economics graphs(original sources noted in graphs) *are available on: http://www.tradingeconomics.com/*

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Time		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Country	**Series**																
Germany	Employment/population ratio	64.1	67.1	66.2	65.1	64.5	64.6	64.3	63.8	64.7	65.2	65.6	65.8	65.3	64.6	65.0	65.5
	Labour force participation rate	67.4	71.0	70.9	70.7	70.5	70.4	70.6	70.8	71.4	71.2	71.1	71.5	71.5	71.3	72.6	73.8
	Unemployment rate	4.9	5.6	6.7	7.9	8.5	8.2	8.9	9.9	9.3	8.5	7.8	7.9	8.7	9.4	10.4	11.3
Netherlands	Employment/population ratio	61.8	62.9	63.8	63.8	63.9	65.1	66.0	67.9	69.5	70.8	72.1	72.6	73.0	71.6	71.1	71.5
	Labour force participation rate	66.7	67.6	67.5	68.0	68.6	70.1	70.5	71.8	72.6	73.4	74.3	74.5	75.3	74.7	74.9	75.5
	Unemployment rate	7.4	6.9	5.5	6.1	6.8	7.1	6.4	5.5	4.3	3.5	3.1	2.5	3.1	4.2	5.1	5.3

Table 1: Employment figures, OECD Data

Time		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Country																	
Germany		..	20 981	23 195	24 266	24 822	25 714	26 244	26 461	26 875	27 431	28 235	28 913	29 464	29 939	30 246	30 672
Netherlands		23 316	24 320	25 194	26 147	27 004	27 046	27 461	28 105	27 707	28 730	30 384	31 908	32 955	33 943	34 769	35 384

Table 2: Average annual wages, in current prices, in national currency unit, OECD Data

Time	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Country																
Germany	2.58	2.58	2.58	2.58	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.68	2.87	2.87
Netherlands	3.04	3.03	3.02	3.07	2.90	2.84	2.84	2.84	2.84	2.88	2.88	2.88	2.88	2.88	2.88	2.88

Table 3: Strictness of employment protection – individual and collective dismissals (regular contracts), scale 0-5, OECD Data

Time	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Country																
Germany	3.25	3.25	3.25	3.25	3.25	3.13	3.13	2.50	2.00	2.00	2.00	2.00	2.00	1.50	1.00	1.00
Netherlands	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38	0.94	0.94	0.94	0.94	0.94	0.94	0.94

Table 4: Strictness of employment protection – individual and collective dismissals (temporary contracts), scale 0-5, OECD Data

Time		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
untry	Series																
rmany	Full-time employment	16 885	21 014	20 782	20 511	20 172	19 972	19 642	19 328	19 282	19 391	19 433	19 346	18 997	18 606	18 284	18 515
	Part-time employment	403	466	501	531	625	696	755	830	940	981	990	1 030	1 112	1 175	1 224	1 448
herlands	Full-time employment	3 379	3 409	3 562	3 548	3 528	3 549	3 600	3 719	3 775	3 845	3 891	3 938	3 933	3 866	3 835	3 798
	Part-time employment	522	540	444	436	449	475	458	464	536	521	601	631	660	670	678	685

Table 5: Male full-time/part-time employment, based on common definition, in thousands, OECD Data

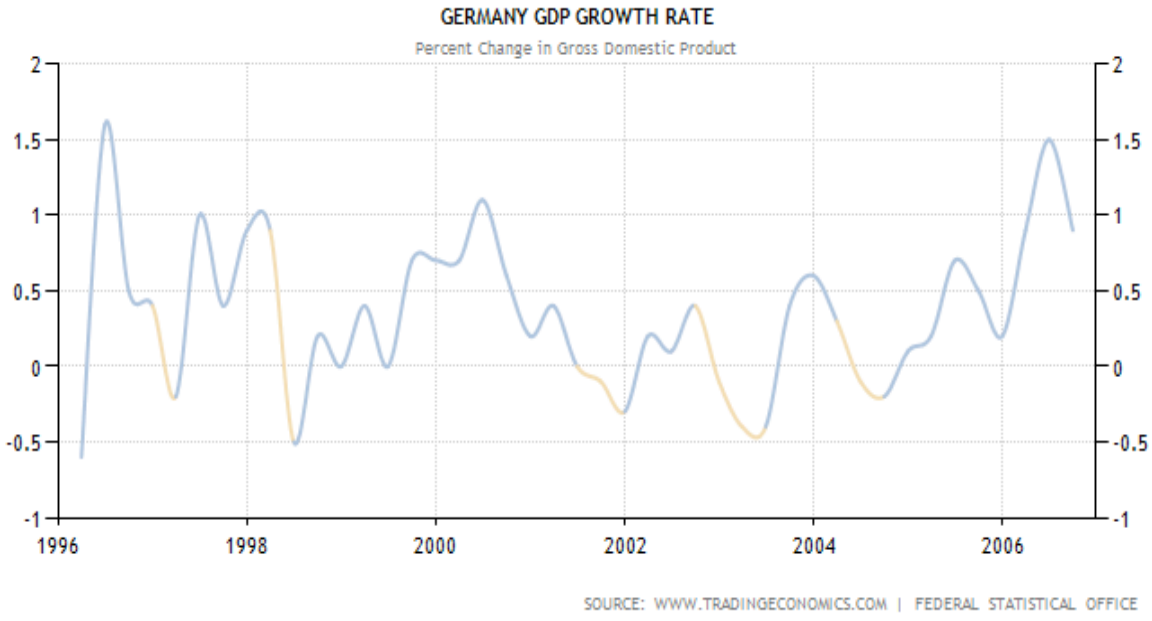
Time		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
untry	Series																
many	Full-time employment	8 223	11 613	11 270	10 966	10 828	10 713	10 684	10 387	10 357	10 512	10 505	10 499	10 467	10 292	10 052	10 03
	Part-time employment	3 490	3 915	3 975	4 103	4 215	4 401	4 552	4 754	4 958	5 205	5 396	5 652	5 699	5 854	5 903	6 355
erlands	Full-time employment	1 123	1 166	1 244	1 241	1 242	1 237	1 247	1 324	1 389	1 437	1 442	1 465	1 464	1 453	1 431	1 428
	Part-time employment	1 242	1 292	1 364	1 415	1 488	1 521	1 555	1 609	1 682	1 786	1 925	2 030	2 111	2 133	2 162	2 201

Table 6: Female full-time/part-time employment, based on common definition, in thousands, OECD Data

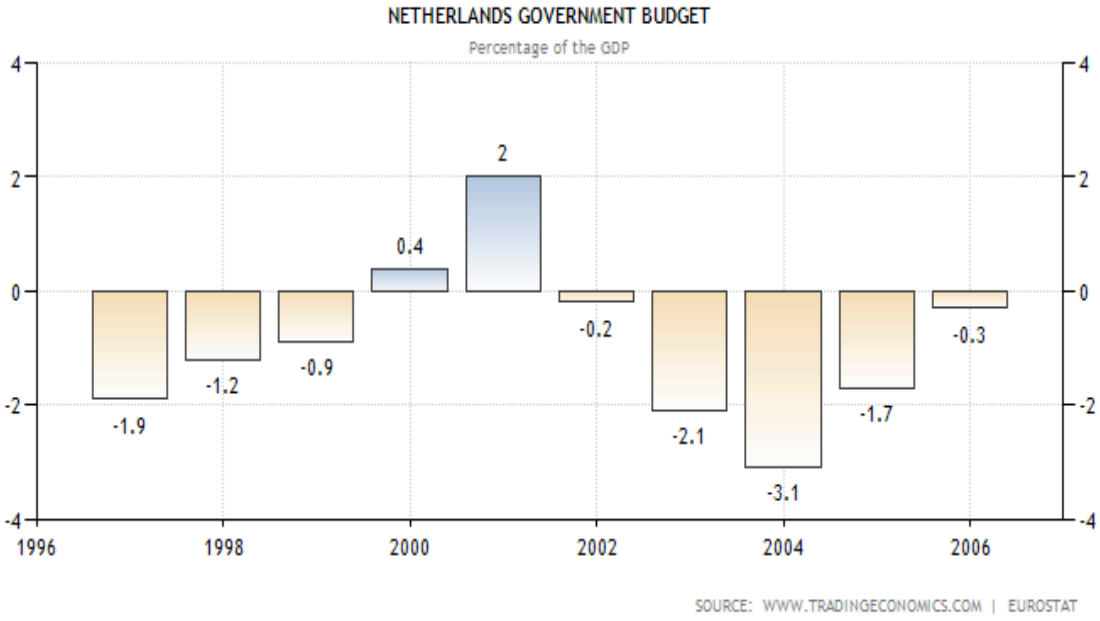
Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Country																
Germany	21.7	23.7	25.5	26.3	26.3	26.6	27.2	26.6	26.5	26.7	26.6	26.7	27.3	27.8	27.2	27.3
Netherlands	25.6	25.5	26.0	26.1	24.7	23.8	22.6	21.8	21.4	20.5	19.8	19.7	20.5	21.3	21.2	20.7

Table 7: Public social expenditure, as % of GDP, OECD Data

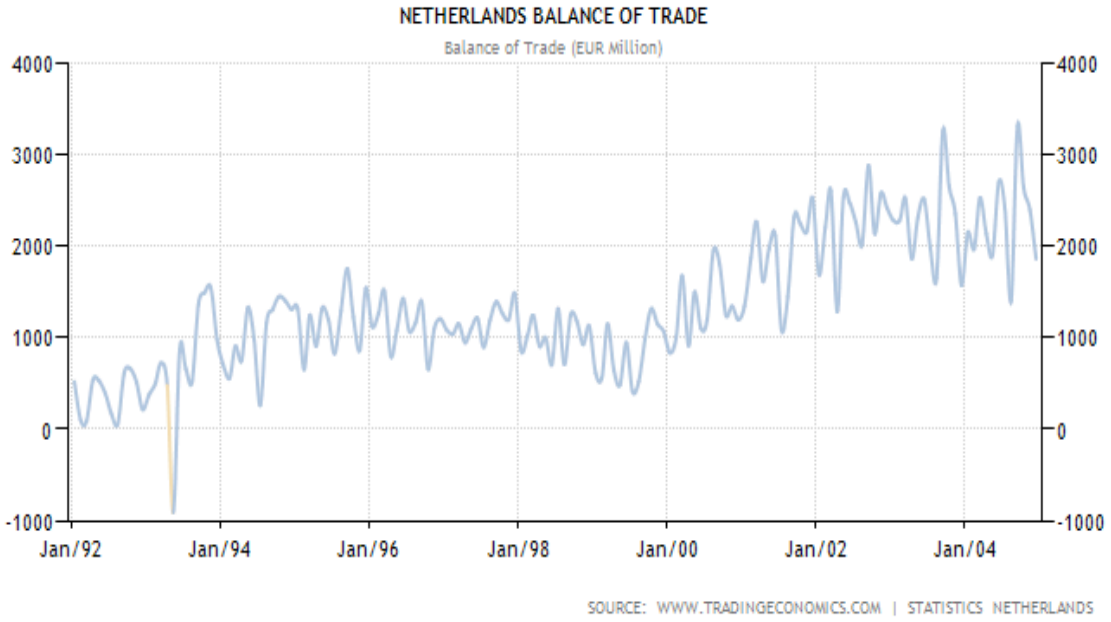
Graph 1



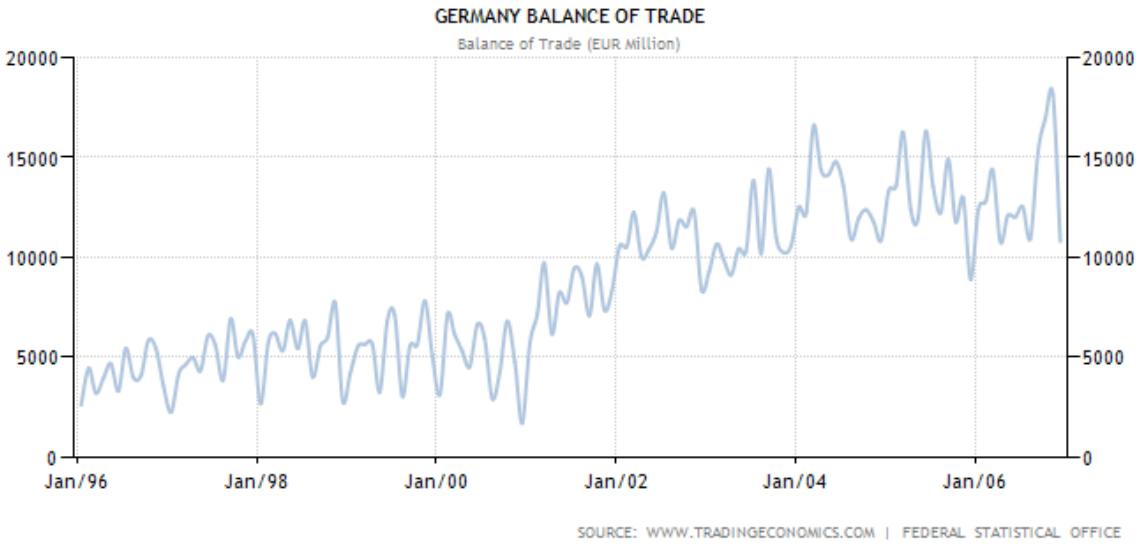
Graph 2



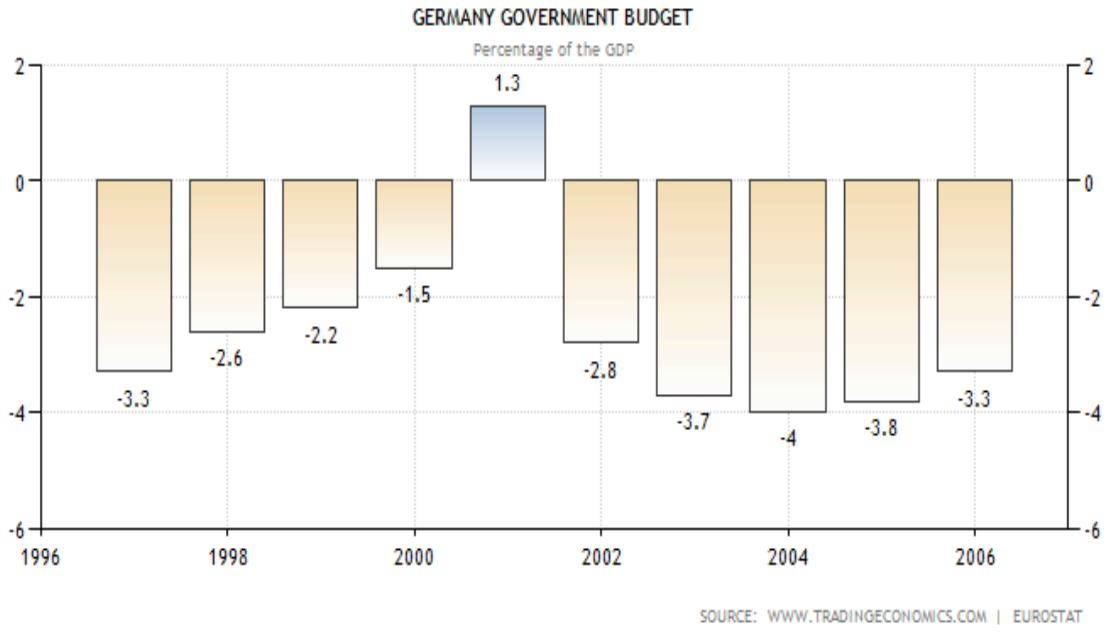
Graph 3



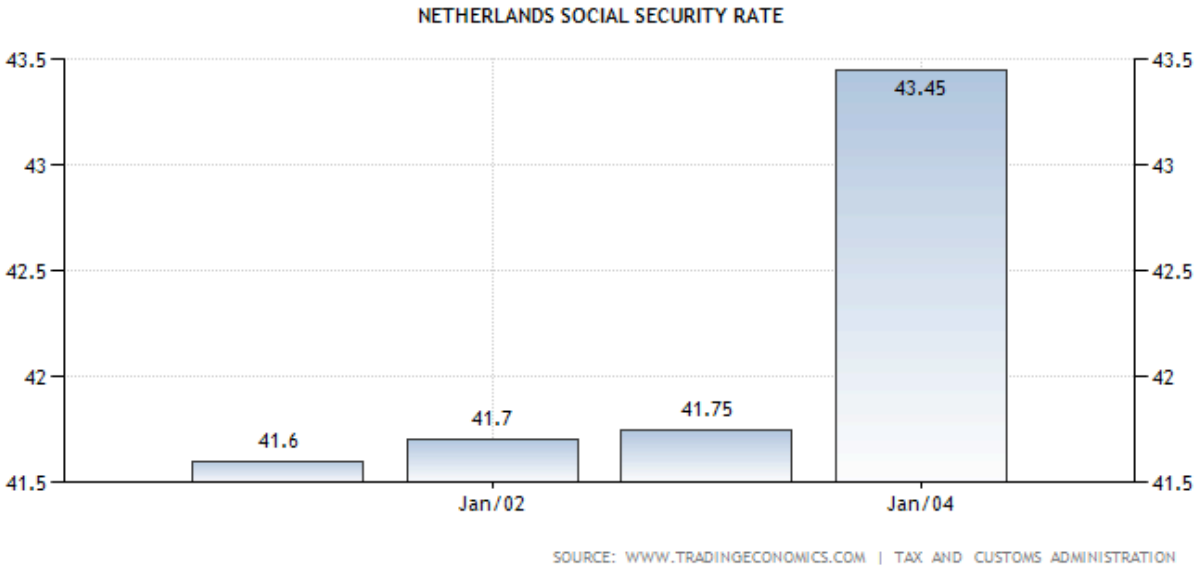
Graph 4



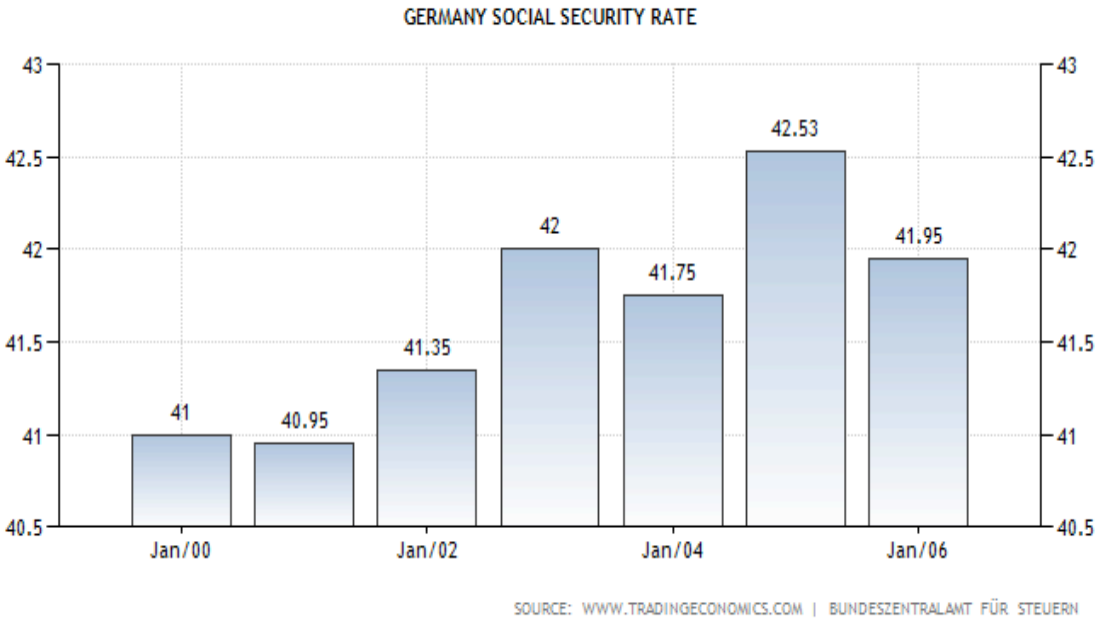
Graph 5



Graph 6



Graph 7


GERMANY SOCIAL SECURITY RATE
43
42.5
42
41.5
41
40.5
41
40.95
41.35
42
41.75
42.53
41.95
Jan/00
Jan/02
Jan/04
Jan/06
SOURCE: WWW.TRADINGECONOMICS.COM | BUNDESZENTRALAMT FÜR STEUERN

Graph 8