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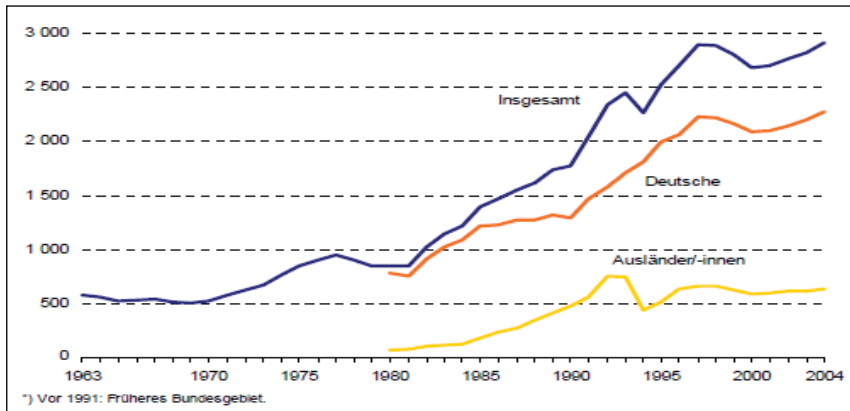
# **Implementing Activation Policies**

**An Analysis of Social and Labour  
Market Policy Reforms in Continental  
Europe with a Focus on Local Case  
Studies in France and Germany**

# 1. Introduction

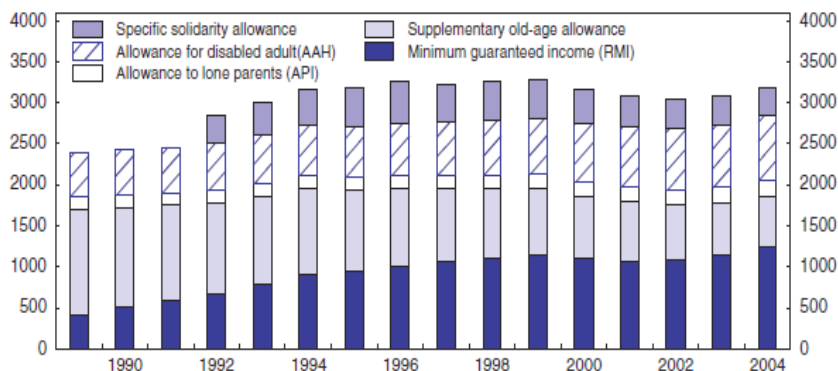
Steadily increasing reliance of persons on meagre to moderate minimum income benefits in continental European countries like France and Germany (cf. Fig. 1 and Fig. 2) is atypical for these welfare state types. Both countries belong to the Bismarckian welfare state model which is normally characterised by generous coverage of status-protecting social insurance. Does the rise in the number of beneficiaries of typically residual minimum income schemes in both countries thus indicate a demise of the Bismarckian welfare state? According to widespread interpretations (Pierson 1995; Pierson 2001), the increasingly prominent role of so called last-resort financial safety nets fits into the picture of a retrenchment of the welfare state.

*Fig. 1: Development of the number of minimum income benefit recipients in Germany (in Thousands; blue: total; orange: Germans; yellow: foreigners).*



Source: Statistische Ämter des Bundes und der Länder 2008: 13.

Fig. 2: *Development of the number of minimum income benefit recipients in France (in Thousands).*



Source: OECD 2007a: 47.

In this book, we provide an alternative explanation: we interpret the rise of the number of beneficiaries of minimum income schemes rather as a failure in the current set of Bismarckian institutions for welfare and work to cope with changing modes of inclusion and exclusion (Ferrera et al. 2000; Ferrera and Hemerijck 2003). Bismarckian institutions of status oriented social protection, socially secured male breadwinner careers and family welfare increasingly stumble to guarantee inclusion particularly for low-skilled persons, lone mothers, the young, older persons, persistently unemployed, migrants, sick or handicapped persons. Problems of inclusion are conceived in labour market and employment approaches as dualism between these ‘outsiders’ and the working or even unemployed ‘insiders’ (Lindbeck and Snower 1989). Dualism however is not only a characteristic of labour markets but it is also reflected by a ‘fragmented’ organisation of institutions, policies, administrations and services (Champion and Bonoli 2011; Palier and Thelen 2010). The Bismarckian welfare state faces problems to foster and organise comprehensive access to employment, education, social protection, rehabilitation, family and child care services (Palier 2010). This was not a problem in the post-war model of ‘normal employment relations’ (Bosch 2004; Kalleberg 2000; Mückenberger 1985). However, in view of new societal and economic risks arising (Armingeon and Bonoli 2006; Taylor-Gooby 2004), it becomes a challenge for the social integration of persons with non-standard employment biographies as well as weaker and more vulnerable groups of society who increasingly need to rely on minimum income benefits (Clegg 2007; Palier and Martin 2007). With regard to such

a 'fragmentation' of important welfare state institutions, we analyse not only processes of re-regulating labour markets but also the re-organisation of policies, administrations and services. Processes of re-organising institutions, policies, administrations and services are an essential part of the transformations of Bismarckian welfare states in face of the problem of inclusion of persons with non-standard employment biographies and weaker and more vulnerable groups. The opportunities and inherent problems and conflicts of such processes of re-organisation crucially involve a local dimension of the Bismarckian welfare state (Finn 2000; Künzel 2012). The local level will be consequently a focal point of our empirically informed inquiry.

The continuous increase over the last two decades in the number of persons claiming benefits from minimum income schemes or social assistance is a phenomenon that puts this institution at the centre of questions on the evolution of the Bismarckian welfare states. It triggers important issues for the Bismarckian countries: it indicates the limits of typical 'industrial risk communities' of family welfare, socially secured male-breadwinner employment and status-oriented social protection to deal with new risks (Armingeon and Bonoli 2006; Taylor-Gooby 2004). Societal and economic transformations undermine the viability of the principle Bismarckian welfare institutions (Esping-Andersen 2002; Esping-Andersen 2006; Ferrera and Hemerijck 2003). Eroding arrangements of traditional solidarity, altering ways of life, higher rates of family breakdown, rising female employment, the demographic crunch, structural changes of work and production as well as the internationalisation of the economy produce effects which weaken classical Bismarckian institutions of family welfare, socially secured male breadwinner employment and contribution-based social protection. Confronted with these new risks, the classical Bismarckian welfare state institutions increasingly fail to cover significant parts of the population. Particularly women, young, elder, migrants, low-skilled and long-term unemployed are experiencing increasing risks of minimum income receipt (Gangl 1998; Lødemel and Trickey 2001; Saraceno 2002). These groups often heavily bear the burden of the profound economic and social changes that have altered and in many cases indeed hampered the conditions for social and economic participation in Bismarckian welfare states. The new risks raise strong doubts on the capacity of the traditional Bismarckian welfare state institutions to cope with problems of minimum income receipt. The rising number of minimum income schemes defies previous patterns of social inclusion, it is connected to questions of the economic viability of the Bismarckian welfare states and it challenges the Bismarckian social protection system.

The rise in the number of beneficiaries of minimum income schemes challenges traditional patterns of inclusion of weaker and more vulnerable groups in the Bismarckian welfare states (Lødemel and Trickey 2001; Saraceno 2002). In the past, in Bismarckian countries, a guaranteed income served as primary mechanism for the social integration of weaker and more vulnerable groups. In Bismarckian welfare states, social inclusion was granted by income from socially secured male breadwinner family salaries or from rather inclusive and generous social protection systems (Esping-Andersen 1999; Ferrera et al. 2003: 350). Some studies (Møller and Hespanha 2002; Møller and van Berkel: 2002: 11) confirm the essential function of income protection for facilitating social integration. Even in the case of unemployment, they argue, a sufficient income replacement will sustain a person's integration in social networks, culture, politics, leisure-time activities, and other activities. Scrutinising the current policy agenda, reforms introduced in the European welfare states propose a new mechanism of social integration: "In the 'new welfare states, employment instead of income protection is considered to be the best remedy against social exclusion and poverty" (van Berkel and Valkenburg 2007: 8). Responding to the new social and economic risks, activation into employment appears as a new mechanism which is proposed for social integration. As income guarantees by solidarity arrangements of family welfare and generous social protection become fragile in Bismarckian welfare states, employment emerges as alternative mode for the social inclusion of weaker and more vulnerable groups. In a society where neighbourhood contacts, class affiliation or family ties are decreasing, work becomes key to enable access to important resources, social relationships and opportunities (Kenworthy 2004). Furthermore, active participation in work life not only offers income resources but simultaneously enables human and skill development which is important in an economic environment of increasingly rapid changes in skill- and production demands (Huo et al. 2008: 7; Schmid 2006). Work can also help to increase self-esteem and a person's well-being (Salais 2003). In addition, work is often attributed a disciplining and structuring effect on life (Jahoda 1982). Consequently, according to this 'new' approach to social inclusion, it is primarily activation into employment which facilitates integration into different spheres of society (income, work, different types of networks, culture, politics, sports, other leisure-time activities, etc). As income guarantees by social protection or male breadwinner family salaries prove decreasingly as a robust option for the social integration of weaker and more vulnerable groups in Bismarckian welfare states, activation into employment appears as a new option for inclusion.

Apart from the defiance of classical patterns of social integration, the rise in the number of beneficiaries of minimum income schemes raises issues of the economic viability of the Bismarckian welfare states. To cushion also weaker and more vulnerable groups against the new economic and social risks arising, the welfare state itself has to dispose of an appropriate financial basis to provide not only income replacement but also social services. However, on the revenue side, at least two developments tend to limit the possibilities of an extension of services and other welfare state tasks particularly in Bismarckian welfare states (Kenworthy 2004). Raising contributions or taxes for further tasks and services is particularly difficult to achieve for Bismarckian welfare states as employment rates only reach moderate levels (Fligstein 2001a; Schmid 2002), while significant parts of the population, as manifested by the increasing number of unemployed minimum income benefit recipients, still remain excluded from the labour market. Moderate employment rates moreover become problematic as an increasingly open economy tends to reduce alternative income options of the welfare state (Alber and Standing 2000). Although the internationalisation of the economy does not inevitably lead to a 'race to the bottom' of taxes, mobile capital reduces the state's opportunities to tax mobile resources. Given the limited room for manoeuvring on the income side, at the same time, higher demands arise on the expenditure side. Particularly in continental European welfare states, the increased failures of Bismarckian institutions for family welfare, socially secured male-breadwinner employment and status-oriented social protection to deal with new risks of an aging society, family breakdown, and structural changes of work and production cause higher demands on welfare state expenditures. The Bismarckian welfare state is thus faced with financial limits respective heightened claims for income protection and social services. In this situation, activation into employment is the primary solution to avoid raising contributions and tax rates and to simultaneously ensure the welfare state's redistributive resources for income protection and services (Kenworthy 2004). From the perspective of the Bismarckian welfare state, increased numbers of minimum income benefit recipients therefore not only reveal problems of social inclusion but are also connected to questions of its economic viability. Contesting Bismarckian welfare states typical reliance on only moderate rates of employment, besides the integrative function of work previously discussed, also the sustainability of the welfare state requires the inclusion into employment of weaker and more vulnerable groups of society who have so far been excluded from work and increasingly depend on minimum income assistance.

Apart from the social and economic challenges discussed, the rise in the number of minimum income benefit recipients in continental European welfare states defies their particular Bismarckian architecture of social protection. In the Bismarckian system, needs-based minimum income protection typically exerts a residual function in an otherwise status-based system of social protection. In contrast to minimum income programmes, which provide a general needs-based protection against the risk of exclusion, the Bismarckian model of social protection is built on specialised programmes. Programmes are specialised in so far as they insure against particular risks based on the work and contribution status of claimants. In the continental European welfare states, a risk like unemployment is therefore typically covered by generous work-status related benefits. This Bismarckian rationale of social protection is to compensate ‘workers’ and their families for cyclical ‘industrial’ risks of short-term downturns of the economy (Clasen 1999, Clasen and Clegg 2006). In this status-oriented Bismarckian social protection system, needs-based benefits fulfil a subsidiary function. Classically, needs-based benefits in continental European countries are based on residual monetary provision of poverty policy for those persons categorised as ‘extreme’ outsiders (Gough et al. 1997; Leibfried and Tennstedt 1985, Whiteside 2007). However, new and ‘non-industrial’ risks like family breakdown, structural economic change, low-paid employment, long-term unemployment or permanent exclusion increasingly require social protection systems to provide comprehensive protection also for weaker and more vulnerable groups of society (Clasen and Clegg 2006). These new and non-industrial risks test Bismarckian welfare states’ ‘dualistic’ (Gough 2001) nature of residual minimum income benefits and generous status-based protection for workers. Nonetheless, status-oriented social protection programmes – at least for workers – appear relatively resistant against change due to their strong popularity and their vested rights’ logic, which is upheld by strong corporatist institutions (Palier 2010; Palier and Thelen 2010). At the same time, status-based and work-related benefits do not present a comprehensive option for precariously employed or precarious ‘non-employed’ persons, not least due to an increased ‘selectivity’ of these specialised benefit programmes (Clegg 2007). Due to the ‘dualistic’ character of Bismarckian social protection systems, the greater reliance on needs-based benefits thus poses a particular defiance for continental European welfare states. Given this particular Bismarckian social protection arrangement, the focus therefore turns on so far residual needs-based minimum income programmes to deal with the new and non-industrial risks of long-term unemployment, precarious work or permanent exclusion. Activation into work of weaker and more vulnerable groups therefore

evolves as an alternative to social protection by meagre to moderate minimum income benefits (Nelson 2011). In brief, employment of weaker and more vulnerable groups also presents an option to reduce the pressure from minimum income programmes in an otherwise predominantly status-based Bismarckian social protection system.

While new challenges posed for social integration, the economic sustainability, and the social protection system of Bismarckian-type continental European welfare states suggest activation into employment for weaker and more vulnerable groups, however, integration into work presents a complex issue. Activation of weaker and more vulnerable groups into employment requires taking into account diverse and simultaneous factors of exclusion in the Bismarckian welfare states. Scrutinising the causes of dependency on minimum income benefits reveals that recipients encounter different problems. While a dynamic perspective reveals that benefit receipt is by some only experienced as a short spell in their life-course, however, important groups are affected by diverse and often cumulative labour market-related and social problems of exclusion (Gangl 1998; Saraceno 2002: 12).

In the Bismarckian countries, labour market-related causes of minimum income receipt not only concern temporary problems of access to labour markets due to seasonal, frictionary or cyclical unemployment. They also relate to structural reasons of unemployment (Blanchard 2006; Blanchard and Wolfers 2000), which cause strong obstacles to employment opportunities for weaker groups of society (Ferrera and Hemerijck 2003). In Bismarckian countries, women, young, elder, migrants, low-skilled or disabled persons have been to some extent systematically excluded from employment by a labour market policy oriented towards workers (Clegg 2007; Palier and Martin 2007). The exclusive character of continental European labour market policy is due to an approach based on strongly protective labour laws, high minimum or high reservation wages and significant contributions to social security (Ferrera and Hemerijck 2003). In a rather exclusive manner, this labour market policy for workers has favoured an employment model of stable and socially well protected employment (Heidenreich 2004). Due to rigid labour market regulation and low employment growth (Clegg 2007; Ferrera and Hemerijck 2003), especially long-term unemployment has evolved as a major problem in Bismarckian welfare states. Longer spells of unemployment, particularly in a more rapidly changing environment of work and production, can lead to the deterioration of skills (Hvinden 1999; Huo et al. 2008: 7; Schmid 2006). An exclusive employment model as well as the lack or devaluation of skills produce work-related exclusionary factors which pose



challenges for the work integration of minimum income benefit recipients in Bismarckian welfare states.

In addition to the employment-related risks of exclusion, the receipt of minimum income benefits is often connected to 'social' exclusionary factors. Problems of health, housing, transport, rehabilitation, child and family care are risks related to social exclusion and minimum income benefit receipt (Sara-ceno 2002): "Social exclusion may involve not only poverty as low income and financial resources, but also educational disadvantage, poor health and access to health services, inadequate housing, and exclusion from the labour market." (Nolan and Whelan 2010: 307). Particularly in Bismarckian countries, the partial erosion of family welfare calls into question traditional modes of dealing with issues of care, rehabilitation and other social concerns (Esping-Andersen 2002; Esping-Andersen 2006). Unresolved issues of child care, family care, rehabilitation or housing as well as psychological problems or divorce can cause dependency on minimum income benefits. For instance, unsettled issues of child or family care pose the risk of minimum income receipt for single parents (Gornick et al. 1997; Gornick and Meyers 2005). Young benefit claimants can encounter situations of crisis in the transition towards adulthood which are connected to unemployment and health deterioration (Hammarström and Janlert 2005). Health problems of unemployed can require medical consultation or psychological help (Hammarström and Janlert 2005). In addition to the problem of receiving scarce benefits, some recipients might struggle with severe financial problems of personal indebtedness. Furthermore, unemployment and notably long-term unemployment, which is a particular problem of Bismarckian countries, present causes for mutually reinforcing processes of work-related and social exclusionary factors comprising social isolation, physical and psychological annoyances (Gal-lie et al. 2003; McKee-Ryan et al. 2005). Blanchard (2006: 24) points to the problems of a high duration of unemployment for the take-up of work: "Such high duration was likely to lead to loss of skills, loss of morale, and thus make many of the long-term unemployed in effect unemployable." Activation into work of long-term unemployed, young persons, single parents, low skilled persons or persons with health problems thus encounters labour market-related as well as social factors of exclusion which increasingly present risks of minimum income receipt in Bismarckian countries.

At the background of labour market-related and social obstacles to employment, the Bismarckian welfare states face the issue of how employment opportunities can be facilitated for weaker and more vulnerable groups of society who increasingly need to rely on minimum income benefit receipt. Tackling this question is therefore not only a matter of re-regulating labour markets in order

to provide greater employment opportunities for weaker and more vulnerable groups (Madsen 2002; Wilthagen 1998; Bekker and Wilthagen 2008). Besides a labour market policy oriented towards creating employment opportunities for broader segments of the population, activation into employment is also a matter of services to respond to the work-related and social obstacles faced by weaker and more vulnerable groups.

Taking into account work-related and social exclusionary factors of unemployment, support for the employment of weaker and more vulnerable groups requires so far predominantly passive Bismarckian welfare states to put a greater focus on services. Contrary to a strong focus on services, however, in the past, Bismarckian welfare states were characterised as 'passive' (Ferrera and Hemerijck 2003: 107–115). Bismarckian welfare states focussed on income transfers while services were primarily delivered by the family. As women aim for their proper careers, one-earner households decline and marital instability grows (Ferrera and Hemerijck 2003: 109), the family-based service arrangement in a rather 'passive' welfare state turns out problematic. Activation into employment thus requires Bismarckian welfare states to take individual exclusionary circumstances into account by an improved provision of services (Van Berkel and Valkenburg 2007: 3). The activation into employment of weaker and more vulnerable groups can be assisted by active labour market policy which comprises services for placement and training (Hvinden 1999). Apart from active labour market policy, which has increased to a moderate expenditure level in continental European countries (Bonoli 2010), social welfare services become increasingly relevant for supporting employment. In order to take into account the social exclusionary factors of weaker and more vulnerable groups, continental European countries are faced with an increasing demand for the provision of services for rehabilitation, child care, family care, housing, counselling or health care (Borghi and Van Berkel 2007). Despite the strong focus on passive benefit provision of Bismarckian-type continental European countries welfare states, attempts of the work integration of weaker groups call to respond to their service needs in the area of active labour market policies and social services.

Besides raising service supply and re-regulating labour market policy, employment support of weaker and more vulnerable groups triggers important issues of coordination (Kinder 2003), which challenge fragmented Bismarckian welfare states. Attempts to enable weaker and more vulnerable groups' work integration by assisting services demand closer co-operation between administrations traditionally concentrated on the provision of income support, placement services, providers of training programmes, and third sector organisations providing

social services (Clasen and Clegg 2006). Coordination is thus a fourfold task which arises between (1) activating labour market policy and minimum income benefit programmes, (2) active labour market policy services and social welfare services, (3) between benefit provision and services and, (4) between differently funded benefit programmes.

Given the resurgent dependency of persons on needs-tested minimum income benefit programmes in Bismarckian countries, the question arises on the coupling of employment-oriented labour market policies with benefit regulation. An employment-centred welfare state implies the co-ordination between labour market policies and social protection systems in order to enhance the take-up of work of broader segments of society (Barbier 2004). However, minimum income schemes in the Bismarckian model are classically characterised as lacking a significant workfare component (Gough et al. 1997; Gough 2001). Apart from only very general stipulations for work requirements, minimum income provision in continental European countries was normally practiced either as an unconditional right to benefit receipt (Daguerre and Taylor-Gooby 2003: 629), as being subsidiary to family welfare (Gough et al. 1997; Gough 2001) or as being subsidiary to social work (Mingione et al. 2002). Furthermore, even if minimum income regulation comprised stipulations for work requirements, they were rarely applied in the past as labour market opportunities for weaker and more vulnerable groups were limited in Bismarckian countries (Clegg and Palier 2012; Mingione et al. 2002). In light of the rising numbers of recipients of needs-based minimum income benefits in Bismarckian countries, activation can serve as an alternative to benefit receipt, if social benefits are being coupled with incentives and requirements for the take-up of work (Eichhorst et al. 2008a). By the application of work requirements and incentives, the 'activation of benefits' (Clasen and Clegg 2006) reforms social policy into an instrument suitable for increasing the 'proximity' of the unemployed to labour markets. The activation of unemployed into employment is thus a challenge for Bismarckian welfare states as it requires to couple work incentives of labour market policy with minimum income benefit programmes.

With regard to a coordinated employment support, also the coupling between social welfare services and active labour market policy services is important in order to react to weaker groups' work-related respective non-employment-related causes of minimum income benefit receipt. In Bismarckian countries, delivery of services for active labour market policy and services for counselling, health, rehabilitation or housing was usually separated between different policy fields (Champion and Bonoli 2011). Active labour market policy services normally

related to a labour market policy for workers (Clegg 2007). Services were usually organised in a rather central manner primarily reacting to the general industrial risks of skill deterioration in the case of unemployment (Bonoli 2010). This 'industrial bias' towards workers in active labour market policy is explained by the prominent role of corporatist actors in the governance of active labour market policy programmes (Beyer and Höpner 2003; Streeck and Hassel 2003). In contrast, complementary to its subsidiary role to family welfare, the provision of social services in continental European countries tends to rely on more local, 'mixed' public-private systems (Mingione et al. 2002). Besides some countries, which count on a history of centralised state-run services (e.g. France, Belgium), the decentralised interventions of municipalities, regions, local welfare associations or local social workers play an important role in social service delivery in continental Europe (Bahle 2003). Fragmented between corporatist-based, skill-focused active labour market policy and local social welfare service systems, Bismarckian welfare states thus face a challenge of coordinating these services for assisting work integration of weaker groups.

With regard to requirements of a coordinated support, also the coupling between minimum income benefit provision and services is important, in order to react to work-related and social obstacles to employment of weaker groups. Taking an originally marginal, subsidiary role in Bismarckian countries, minimum income provision tends to share the same local organisational traits like social welfare services. Both the provision of social services and the delivery of minimum income schemes have common roots in local social welfare systems in continental European countries (Mingione et al. 2002; Bahle 2003). In contrast, active labour market policies were usually connected to uniform and highly centrally organised structures of status-conserving social insurance programmes (Rauch 2008). The interrelated character of unemployment insurance benefit programmes and active labour market policy matched the 'industrial bias' of policies towards workers which was enhanced by the prominent role of the social partners. Fragmented between local minimum income benefit provision and central active labour market policy programmes, Bismarckian welfare states face complicated tasks of coordinating services of minimum income benefits with social service support and active labour market policy in order to assist the work integration of weaker groups.

Coordination is, however, not only a matter of services but also relates to benefit systems. In general, social protection programmes can vary between contribution-based and tax-financed funding streams. According to the typical Bismarckian welfare state model, 'productive workers' are rewarded for

their contributions by insurance-based programmes, e.g. unemployment programmes, which are typically organised by corporatist actors (Clasen 1999; Clasen and Viebrock 2006). Regarding the rather rare tax-funded social protection programmes in the Bismarckian model, to which minimum income benefits belong, budgetary responsibilities can be divided in the multi-level system of the welfare state. Governments and international organisations like the EU or the OECD have recognised the inefficiencies which can arise if differently funded programmes co-exist in an uncoordinated manner (Finn 2000). For instance, separated financial responsibilities in the multi-level system of a welfare state can lead to incentives for one programme provider to ‘park’ benefit recipients in other programmes (disability schemes, early retirement programmes, unemployment benefit) instead of aiming at the benefit recipients’ activation into employment (Schmid 2006). Especially the Bismarckian countries are prone to this problem due to their structure which is fragmented between tax-financed, locally based minimum income schemes and centrally organised specialised contribution or work-status based programmes (Gough et al. 1997: 36). Such ‘parking’ in early retirement programmes, unemployment programmes or disability programmes has for a long time matched Bismarckian social policies’ ‘social treatment’ of unemployment of weaker and more vulnerable groups (Daguerre and Taylor-Gooby 2003: 629; Eichhorst et al. 2008b), but contradicts activation attempts. As numbers of recipients of once marginal tax-financed minimum income schemes have continuously risen in continental Europe, their activation into work faces issues of a sound coordination with the different contribution-based and work-related social protection programmes. Thus, to enhance activation of weaker groups, fragmented funding structures of Bismarckian social security programmes require a better co-ordination of increasingly important tax-financed, locally based minimum income schemes with the relevant contribution-related programmes.

In the light of the requirement for coordinated and targeted policies to activate weaker and vulnerable groups of society into work, the fragmented architecture of Bismarckian welfare state institutions proves inefficient. While the fragmented nature of policies, services, administrations and provider structures matched the requirements of an industrial risk community, passive policies as well as disintegrated social and labour market policies, separated providers and disparate services turn into a problem for the promotion of opportunities of welfare and work for weaker and more vulnerable groups. The fragmentation in the organisation of important policies for the integration into life and work (income replacement, active labour market policy services, social welfare services

as health care, child and family care, housing or debt counselling) can impede on taking into account the manifold causes of unemployment of weaker groups in a coherent manner. Coping with the increase of minimum income benefit recipients thus provokes questions on the (re-)organisation of policies, administrations and services between fragmented policies, levels of competences and different actors. Overall, such problems of coordination in the form of segmented and overlapping institutions, competences, funding streams, programmes and agencies that differently service minimum income benefit recipients from insured unemployed obviously reveal an important issue of current Bismarckian welfare state transformation. Consequently, the transformation towards an employment-centred Bismarckian welfare state concerns much of its organisational fabric, or, to put it more precisely, welfare state change turns into an issue of reorganising fragmented institutions. The rising numbers of beneficiaries of minimum income schemes raises the question of how Bismarckian welfare states might reorganise fragmented institutions in order to offer coordinated, service-oriented and employment-friendly policies towards weaker and more vulnerable groups of society and the labour market.

Usually, changes in policy coordination and reforms of labour market and social policy programmes, administrations and services are discussed as an issue of European regulatory processes (Visser 2009) or as a matter of national activation regimes (Barbier 2004). The Open Method of Coordination ‘irritates’ the functioning of Bismarckian welfare states (Heidenreich 2009) and leads to transnational learning of governance reforms (Visser 2009). Changes in Bismarckian welfare states show a ‘selective appropriation’ (Zeitlin 2009; Zirra 2010a; 2010b: 22) of ‘good’ governance comprising policy changes, administrative reforms and new service delivery models. Deviations from common European trends are explained by national patterns of implementing activation reforms (Clegg 2007): “The adoption and introduction of new forms of governance in the context of operational policy reforms are ‘filtered’ or shaped by (national) socio-economic, historical, cultural, institutional and political contexts.” (Borghi and Van Berkel 2007: 97). As a result, reforms of labour market and social policy programmes as well as changes in administration and policy coordination are usually analysed at the national level (Clasen and Clegg 2006).

However, the exclusive focus on European and national institutions becomes increasingly problematic in understanding and analysing current welfare state reforms. Assuming that national reforms are the most important element in transforming Bismarckian welfare states may imply that important transformations at the sub national level are ignored (Clarke 2008). Such a perspective

implies that characteristics of centralism and uniformity of insurance institutions still constitute the overriding principles of the organisation, administration and delivery of policies and services in Bismarckian welfare states. It closely corresponds to a welfare state that predominantly approaches unemployed by a social policy modelled on the premises of passive benefit provision and uniform rights to workers. In Bismarckian welfare states, however, to a great extent, the concrete organisation of policies to activate weaker and more vulnerable groups into employment takes place at the local level. This is due to the greater reliance of weaker and more vulnerable groups on minimum income schemes which are usually connected to decentralised elements of services, administrations or even policies in Bismarckian countries.

Moreover, reforms to render policies more 'active' and 'coordinated' (re-) introduce local discretion into social policy programmes (Finn 2000). Processes of decentralising welfare interventions, changing modes of welfare service delivery and new management techniques for controlling services are shifting issues regarding the reorganisation of employment and social welfare services to the local level. Thereby, the local level is accorded the potential to organise targeted approaches to deal with problems of income, incentives, placement, qualification, counselling, rehabilitation or care (Salais and Villeneuve 2004; Van Berkel and Borghi 2008). The idea behind this localisation of policies, administrations and services is that it is at the local level where coordinated and targeted attempts for the activation of weaker and more vulnerable groups can be organised best (Kaufmann 2009: 88–106; Kazepov 2010: 35–72). The question of coordinated and targeted approaches for the inclusion of long-term unemployed, lone parents, low skilled persons, migrants, the young, older persons, sick or disabled persons thus implies a local dimension in Bismarckian welfare regimes.

The question of the local governance of approaches towards unemployed turns the focus on the organisation of the delivery of services and policies. From a conceptual perspective, the influence of the organisation on services and policies is proven by different strands of debates on the implementation of new service delivery elements (among others Bredgaard and Larsen 2007, 2008, Jorgensen 2004 or Jewell 2007), on the different effects of decentralisation (Leibfried et al. 2005) and on the various ways to control service delivery (Hood et al. 2002). A comprehensive solution to the problem of fragmentation is sometimes equalled with the integration of policies, services and administrations into so called 'one-stop shops' (Johansson and Hvinden 2007). Indeed, the very issue of delivering services and policies is rarely discussed in a systematic manner although its elements crucially influence coordinated and targeted approaches towards unemployed.

A theoretical contribution of this book is to close this gap. Different systems of the delivery of services and policies can exist depending on the concrete local structures for policies and services, the modes of interactions for service delivery and the different control techniques of service delivery. It is thus possible to construct distinct ideal typical systems of the delivery of policies and services: the organisation of policies and services for the activation of unemployed can vary between market-oriented, bureaucratic and participatory approaches. This modelling of different organisational types of service delivery allows constructing hypotheses on the reactions to rising numbers of minimum income benefit recipients in Bismarckian welfare states. Taking into account the crucial role of the local level to organise services and policies to activate weaker and more vulnerable groups into employment in Bismarckian welfare states, different local approaches of delivering services and policies might emerge. We therefore assume that the introduction of activation policies leads to transformations of Bismarckian welfare states which affect also the structures of local governance.

We will thus seek to empirically reconstruct how Bismarckian welfare states react to the challenges of fragmented policies, administrations and services. *Our general assumption is that the local level plays a crucial role in re-organising services and policies towards weaker and more vulnerable groups dependent on minimum income benefits in Bismarckian countries.* This general assumption will be tested taking the example of two selected continental European countries. In order to investigate into these questions, processes of reorganising social welfare and labour market policy programmes and services to deal with the problem of inclusion of vulnerable and weaker groups shall be reconstructed for France and Germany. Both countries present very emblematic examples of the institutionalised fragmentation of policies, administrations and services distinguishing between insiders and 'extreme' outsiders. The question of the activation of weaker and more vulnerable groups of society has both become a topic in France and in Germany thereby raising issues on the coordination of work incentives, benefits and services as for example placement, training, psychological counselling, health services, social services or childcare support. As a result of both countries belonging to the status-conserving Bismarckian welfare state model, France and Germany introduced similar social and labour market policy reforms (Clegg 2007). Reforms involved changes of the organisation of policies and services towards minimum income recipients. In France, the most important minimum income scheme was decentralised and its regulation was re-oriented towards the take-up of work (Barbier and Knuth 2011a; 2011b; Clegg and Palier 2012). In Germany, new regulation merged social assistance with unemployment



assistance into one structure which is now jointly governed by local authorities and the Federal Employment Agency. National accounts of the reformed minimum income schemes portray a general move towards market-oriented activation policies in Germany (Eichhorst et al. 2008b; Jacobi and Mohr 2007) but also for France: “More recently (2003), the minimum income system was reformed in order to introduce a new welfare-to-work scheme.” (Erhel and Zajdela 2004: 138). However, room for local manoeuvring in implementing approaches and the entanglement with traditionally locally bound elements make the reorganisation of minimum income programmes in both countries depend to a great extent on developments at the local level. For each country, we present local cases detailing the implementation of minimum income benefit programmes. Besides similar national regulation, we however find very dissimilar local organisations of welfare interventions and also different outcomes of activation policy.

To summarise, the local dimension of the Bismarckian activation regime is becoming more important. First, the comparative and empirically grounded work introduces the issue of rising numbers of recipients of minimum income schemes by defining the problem of fragmentation of the Bismarckian welfare state architecture in light of the transformation towards a welfare state more based on the provision of and the preparation for employment. Second, the argument focuses on a changing relationship of labour market policies, social policy and social services in Bismarckian welfare states. Third, the book takes into account Bismarckian welfare states’ reform implications for an activation of weaker and more vulnerable groups by conceptualising different models of inter-organisational coordination at the local level. These arguments will be specified taking the examples of social and labour market policy reforms in France and Germany.

## **The structure of the book**

Following the introduction, the second chapter discusses the rise in the number of beneficiaries of minimum income schemes in Bismarckian welfare states as a matter of changing patterns of inclusion and exclusion. We will conceptualise inclusion as a matter of the integration into systems of welfare production. An effective inclusion in a welfare state then depends on the particular ways how institutions as employment, the family or social security function. The rise of minimum income schemes in Bismarckian countries primarily reveals problems of recalibrating (Ferrera et al. 2000) welfare state institutions. The increasing reliance of lone mothers, older people, the young, persistently unemployed, disabled or sick persons, migrants and low skilled persons on minimum income schemes shows how the individualisation of society and the structural economic change

aggravate the access to options of income, employment, qualification, care or rehabilitation in the traditional Bismarckian welfare regimes. As a result, the traditional 'division of labour' between labour market policy for 'workers' and social and family protection for weaker and more vulnerable groups becomes fragile. The increased risk of minimum income receipt for weaker and more vulnerable groups is thus a problem of the fragmented Bismarckian welfare state architecture to cope with social and economic transformations.

The third chapter discusses policy reactions to rising numbers of minimum income recipients in the Bismarckian welfare regime. European reform strategies and processes call into question the traditional Bismarckian division between labour market policy for workers and family income respectively social policy for weaker and more vulnerable groups. Due to the inertia of Bismarckian welfare state institutions, however, a better coordination of policies, programmes and services is only to some extent achieved. Reforms aiming at the institutionalisation of an activation regime rather 'selectively' (Clegg 2007) focus on weaker and more vulnerable groups. Reactions to rising numbers of minimum income schemes concentrate on attempts to institutionalise 'employment-centred welfare' as new mode of inclusion for weaker and more vulnerable groups in the Bismarckian welfare regime. While service offers are enhanced and opportunities for low-paid or in-work benefit programmes are created, issues of an effective dealing with placement, training, rehabilitation, child or family care demands of weaker and more vulnerable groups are shifted to local minimum income arrangements.

The fourth chapter discusses the question of how the local level might be able to organise activation of minimum income recipients in Bismarckian welfare states. It first analyses the local level's potential to provide individualised services to react to problems of incentives, qualification, health, counselling, child or family care of weaker and more vulnerable groups. Individualised services require a locally 'co-produced' delivery of policies and services between employment agencies, welfare centres, social associations, project executing organisations, beneficiaries' representative organisations, case-managers and benefit recipients. This question of the institutionalisation of local organisational fields for the activation of benefit recipients challenges the fragmented Bismarckian welfare state architecture at the local level. In a first hypothesis, we thus argue, that activation in Bismarckian welfare states requires a local coordination between competences from different policy levels, approaches of different actors and solutions of complementary policy fields. However, local institutional structures, local modes of interaction of service delivery and local control techniques for co-producing services and policies might differ from country to country

and even in each local context. In a second hypothesis, we argue that the co-production of individualised policies and services in Bismarckian welfare states might indeed proceed differently according to distinct local approaches. We conceptualise ideal-types of a bureaucratic, a market-oriented and a participatory local organisation of services and policies.

In the fifth chapter, the methodology for a comparative empirical study of the reorganisation of minimum income schemes in Bismarckian welfare states is explained. A proper research design for the reconstruction of local reorganisation processes of social welfare and labour market policy services for beneficiaries of minimum income schemes is suggested. The employed qualitative research strategies for retrieving dense empirical data are explained. In this context, the relative strengths and weaknesses of the following research methods we used are discussed: 1.) expert-interviews with decision-makers from local employment agencies, local state agencies, territorial authorities, social welfare offices and welfare organizations; 2.) a collection of in-depth information from reviewing documents and reports; 3.) a series of detailed territorial case studies.

Turning to the empirical investigation, in the sixth chapter, policy reactions to the rising numbers of minimum income schemes are analysed for France and Germany. The typical residual character of minimum income schemes in these two welfare states is described. Analysing the position of minimum income schemes in these two welfare states, for each country, the institutionalised fragmentation of policies, programmes and services is traced. However, recent social welfare and labour market policy reforms aim at the activation of weaker and more vulnerable groups. Changes in regulation of policies and programmes simultaneously trigger questions on the organisation of minimum income schemes in both countries. It is pointed out that the activation of vulnerable and weaker groups of society, to a great extent, becomes a matter of the local level. In Germany, new labour market and social policy legislation of the so called 'Hartz' reforms led to the merging of social assistance and unemployment assistance into a general minimum income scheme for unemployed (2005). This reformed minimum income scheme is usually implemented by a new approach of joint local governance between the municipalities and the local agencies of the Federal Employment Agency. In France, the decentralisation of the general minimum income scheme (*Revenu minimum d'insertion* (RMI), remodelled by a new regulation for a *Revenu de Solidarité Active* (RSA) in 2009) to a local authority, which took place in 2004, equally raises the question of how the activation of minimum income recipients is organised at the local level. At the core of this chapter are eight case studies reconstructing the local handling of a

co-production of policies and services to activate minimum income recipients in both France and Germany. The case studies analyse the institutionalisation of activating weaker and more vulnerable groups but reveal very different local paths towards re-organisation.

In the final chapter, the results and implications from the comparative study of France and Germany are put in the broader context of Bismarckian welfare state development. We draw conclusions from the empirical investigations on the causes and drivers of differently changing local governance arrangements. The mechanisms found on the local level are discussed with regard to a multi-level explanatory framework. This allows to summarise broader conclusions in view of the question in as much the local level is able to attenuate the fragmentation of Bismarckian welfare state institutions and to provide activation as a new option of inclusion for more vulnerable and weaker groups.