

# Activation in Continental Europe: A New Minimum Income Filter

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## 1. Introduction

The introduction of activating social and labour market policies in Belgium, France, Germany and the Netherlands was for a long-time inhibited by “frozen” Bismarckian welfare state institutions (Esping-Andersen 1999). Recent changes in these four Continental European welfare states have provoked new discussion. While some authors point to a partial introduction of activation policies in Continental Europe in general (Clegg 2007), more detailed country studies report on very different trajectories (Hemerijck and Marx 2011). This paper argues that the question of the introduction of activation policies in Continental European welfare systems is closely linked to the development of last resort minimum income schemes in each of these countries.

Social security programmes providing a means-tested minimum of resources against general risks of social exclusion had originally played a marginal role in Continental Europe. Typical Bismarckian institutions provided in these welfare states a strong filter against such last resort options of income. A distinct system securing not only male breadwinner careers but also providing for the non-employed family welfare and generous, status-based social insurance, made the provision of minimum income benefits a rare case. As a result, means-tested minimum income programmes functioned as disparate, residual benefit programme for ‘extreme outsiders’ only. However, this traditional ‘division of labour’ of Bismarckian institutions between labour market policy for ‘workers’ and family welfare or passive social policy for weaker and more vulnerable groups is decreasingly proving as robust option. New societal and economic risks have been challenging the Bismarckian institutions filtering against the receipt of a minimum income benefit. Unresolved questions of the inclusion of

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<sup>1</sup> This paper presents results drawn from research for my PhD thesis. The arguments expressed in this paper do not necessarily reflect those of the International Labour Organization or its constituents.

weaker and more vulnerable groups have caused increasing unemployment and long-term unemployment and have put unprecedented pressure on social security programmes.

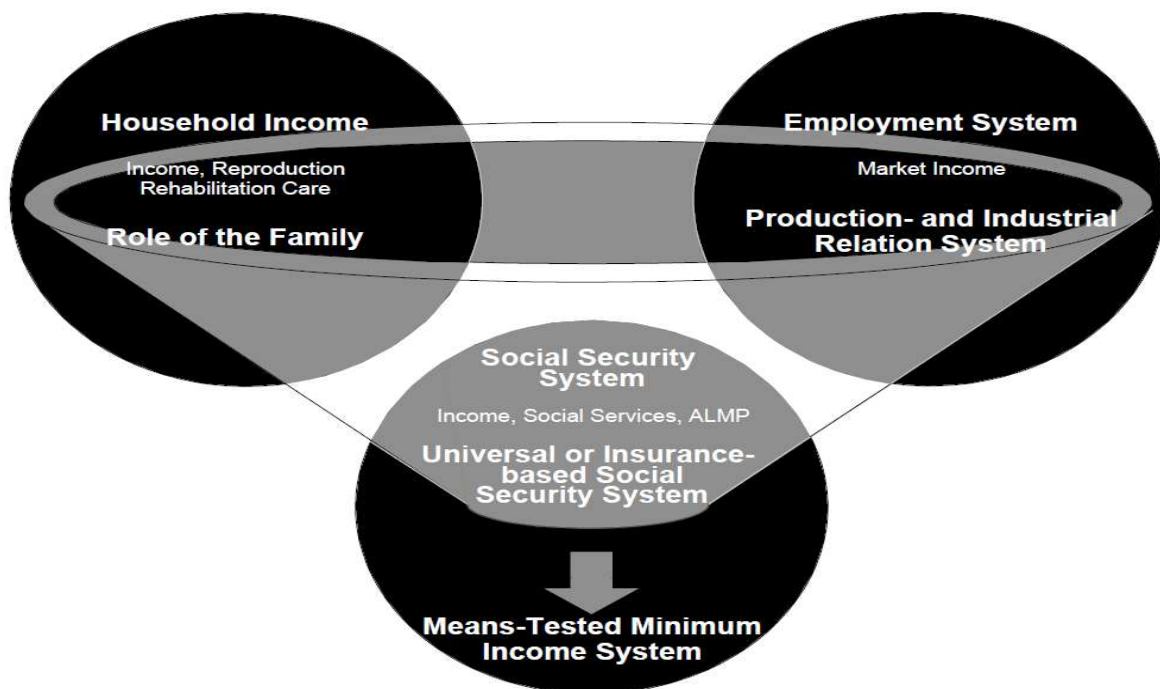
In the recent past, some of the Continental European countries (France, Germany, the Netherlands) have introduced activating labour market and social policies. These countries have in common that they witnessed at some point in time a very heavy increase in the numbers of recipients of so far marginal general minimum income programmes (cf. Ch. 4.2.1; Fig. 4,5,6,7). Moreover, their activating social and labour market policies are “selective” in nature as they focus on weaker and more vulnerable groups of the labour market only. This suggests that these welfare states’ reforms present an extremely specific reaction indeed provoked by rising numbers of minimum income benefit recipients. This reaction comprises the introduction of flexible labour markets, notably low paid employment, a stress on work incentives and more targeted services. Taken together, these specific labour market and social policy changes are creating a very particular regime for the activation into employment: A new institutional filter against the receipt of minimum income benefits is institutionalised which is rather exclusively targeted at the labour market inclusion of weaker groups of the labour market, low-skilled unemployed and persistently unemployed. To put it in a nutshell, activation in Continental European welfare states evolves as a new institutional filter to reduce the burden of still residuary minimum income schemes. In other words, we are arguing in this paper that activation in Continental Europe is a reaction triggered by rising numbers of minimum income beneficiaries.

This hypothesis of activation as new filter for minimum income programmes is derived on the basis of three components. Firstly, minimum income schemes are conceptualised as a matter of different institutional filters. General minimum income programmes’ internal filter define a person’s eligibility to benefits, while labour markets, family and other social security programmes are externally filtering against needs of a last-resort income. Secondly, this concept is applied to explain how classical Bismarckian institutions previously functioned as internal and external filters of minimum income schemes in Continental Europe and how they increasingly fail to do so today. Finally, we discuss our assumption about activation as a new filtering institution by studying social and labour market policy changes and its implications in Belgium, France, Germany and the Netherlands.

## 2. Defining General Minimum Income Programmes' Function in Welfare Systems

General minimum income schemes against social exclusion function as last-resort safety net in a welfare state. An institutional filter (Leibfried et al. 1995; Leisering and Voges 1992: 451-453) defines who is cut off from the inclusion into important institutions of welfare production in such a way that the need arises to rely on this last-resort income option. The institutional filter of the general minimum income programme in a welfare state depends on internal and external regulation: (1) The terms of access to benefit receipt constitute the 'internal' filter of minimum income programmes, while the (2) labour market and the family as well as (3) the advanced nets of social security, constitute 'external' filters that determine who will lack sufficient welfare and therefore needs to rely on the last-resort safety net (cf. Fig. 1).

Fig. 1: The institutional filter of minimum income schemes



Source: own representation.

### 2.1. General Minimum Income Programmes' Internal Filter

If someone will receive a general last resort minimum income depends in an immediate context on the programme's regulation (Gough et al. 1997; Gough 2001). The internal filter of minimum income programmes depends on definitions of needs coverage, criteria for means-testing, the degree of legal codification and work requirements (Gough et al. 1997).

First, eligibility to a minimum income benefit programme is a matter of societal definitions of the coverage (Behrendt 2002: 101-113). Coverage depends on how 'generous' benefits are (Behrendt 2002, Gough et al. 1997) as well as how 'adequate' certain needs are covered (Gough et al. 1997: 19).

Second, minimum income programmes rely on the principal of means-testing. For the purpose of guaranteeing a required 'minimum' of resources only, assistance is in general subordinate to other resources of income or services of a welfare system. In as much exploitation of other resources is required first, depends on strictness and responsibility obligations. Strictness can vary with regard to income and assets which are considered as relevant resources for a means-test (Gough et al. 1997: 34). Also, criteria of responsibility define the means-test (Gough et al. 1997: 34). On the one extreme of the responsibility scale, minimum income provision is an individual entitlement. On the other extreme, means-testing stipulates wider family obligations to provide resources for an individual.

Third, eligibility is a matter of the legally binding character of regulation (Gough et al. 1997: 34). Eligibility can be broadly codified in legal regulation which would come close to the ideal of a 'citizenship right' to minimum income benefits. On the other extreme, high discretion in legal regulation makes eligibility a very variable matter.

Finally, eligibility can depend on the strictness of work-testing requirements (Gough et al. 1997: 34). Regulation for minimum income schemes might exclude those persons not ready to work from the receipt of a minimum income benefit.

To summarise, the generosity and accuracy of needs covered, the definition of responsibility and the extent of means-testing, the degree of legal codification and the strictness of work-testing requirements define the internal filter of a last-resort safety net. While the specific internal filter decides on the immediate eligibility of persons, the need to access the last resort income programme, is externally regulated.

## **2.2. General Minimum Income Programmes' External Filters**

As minimum income assistance forms only one subsystem of welfare and employment regimes (Gallie 2007: 1-34; Heidenreich 2004), entry onto and exit from a minimum income programme crucially depend on opportunities for accessing 'normal' sources of income and services (work, family and household transfers) as well as social security systems' alternative possibilities of benefits.

In a welfare state, the labour market constitutes a primary external filtering institution of minimum income schemes. It serves as a central resource for creating income. Employment opportunities are determined by institutions that regulate the (potential) supply and demand of labour on the labour market (Gallie 2007: 1-34; Heidenreich 2004). The employment model of a welfare state is in particular influenced by the production system and the industrial relations system. The production system decides upon the structure of production, as for example the opportunities of service sector employment. The industrial relation system determines the level and structure of wages as well as collective rights. Both areas influence the regulation of labour markets which defines such crucial questions as regards, for example, employment opportunities for low-skilled persons. In brief, as employment provides opportunities of market income, the labour market system constitutes a primary filtering institution of minimum income schemes.

Apart from market-based income, the family is another primary filtering institution of minimum income schemes. As regards the family or a partner, both function as an important income alternative or additional option to income from the labour market or to benefits from social security (Esping-Andersen 1999; 2006). Moreover, family welfare can fulfil important service functions for rehabilitation and care, too (Kaufmann 1994: 279). The particular functioning and role of the family in a society influences who might need to rely on minimum income programmes and who will not. Therefore, family arrangements constitute an important filtering institution of minimum income benefit receipt as they can serve as an alternative or complementary resource of welfare production.

Apart from the labour market and the family, another external filter of last-resort minimum income programmes are more elaborate and/ or 'specialised' social security programmes (Esping-Andersen 1999). In contrast to the broader risk of social exclusion, covered by 'general' last-resort income programmes, advanced social security programmes provide income or services against particular risks. Unemployment, illness, incapacity, old age, family, children or survivorship are typical risks for which single programmes can exist. These alternative social security arrangements to minimum income benefits can be organized as (1) social insurance programmes, (2) 'categorical' income-related programmes or (3) universal programmes for benefits and services (Atkinson 1989):

- (1) Social insurance programmes cover specific risks based on prior contributions.
- (2) 'Category-specific' programmes provide benefits based on the affiliation to a particular group. Single benefit programmes can exist for 'workers', 'single

parents', 'disabled' or 'skilled persons'. Eventual means-testing clauses of category-specific income-related benefits do not necessarily serve to preserve a minimum income function of benefits but might aim to limit access by the well-off (Gough et al. 1997: 19). In other cases, apart from the exception that they define a minimum income for a specific group only, category-specific programmes can also function very similar to a general means-tested last-resort income programme (Gough et al. 1997: 19).

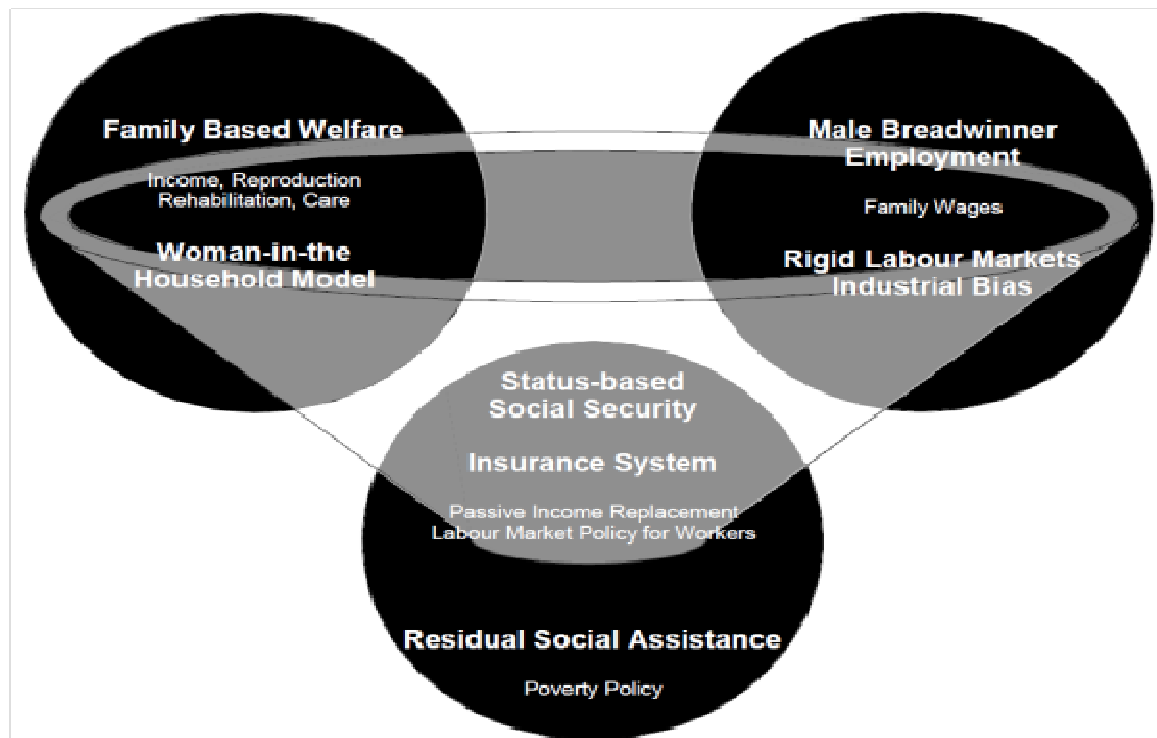
- (3) As a final variant of advanced programmes of social security, instead of categorising benefit recipients, 'universal' social protection programmes relate state allocation neither to income nor to the contribution record, but to the citizen status.

To summarise, besides internal regulation of minimum income programmes, the receipt of a minimum income benefit is externally regulated by the opportunities to access income or services from the labour market, the family or specialised social security programmes. The labour market or the family constitute the two primary external filtering institutions of minimum income schemes. If these fail, higher-ranking programmes of the social protection system, which in general are more directly targeted to specific risks and social groups, can constitute a further external filter of last-resort minimum income receipt. This perspective serves to discuss the classical function of minimum income schemes in the Bismarckian model which has shaped Continental Europe's welfare states (Clegg 2007).

### 3. The Bismarckian Filter of General Minimum Income Programmes

Having conceptualised minimum income schemes as a function of filtering institutions, we first discuss the programmes' typically residual role in Continental Europe's Bismarckian welfare model for social security, employment and family welfare (cf. Fig. ) and then point to its increasing limitations.

Fig. 2: The institutional filter of minimum income schemes in the Bismarckian welfare state model



Source: own representation.

#### 3.1. A Residual Role for Minimum Income Programmes

A strong but very specific filter of employment, family welfare and advanced social security programmes reduces minimum income programmes to residual role in the Bismarckian welfare state model.

##### 3.1.1. General Minimum Income Programmes' External Bismarckian Filters

In Continental Europe's Bismarckian welfare model, a socially secured employment model constitutes a principal external filter against minimum income receipt. A societal preference for stable and socially secured employment leads to only moderate overall employment rates (Heidenreich 2004: 208). Labour markets in Bismarckian countries are rather characterised as exclusive regimes promoting well protected 'normal employment relationships' (Ferrera and

Hemerijck 2003). Rigidity stems from strongly protective labour laws, high minimum or high reservation wages and significant contributions to social security. Usually high rates of male employment reflect the prevalence of male breadwinner careers which the Bismarckian model typically enables. In contrast, women, older people, the young or persons with disabilities are often excluded from the labour market.

Socially protected but exclusive employment is closely intertwined with functions of family welfare which complement the primary external Bismarckian filter against minimum income receipt. Traditionally, the Bismarckian employment model promotes 'family' wages. This corresponds to male single earner households. In turn, the family as resource for income and social services, particularly for weaker or more vulnerable groups, plays a crucial role (Heidenreich 2004; Ferrera and Hemerijck 2003). Bismarckian welfare states typically rely heavily on the family respectively women for tasks related to raising children but also for rehabilitation and care (Ostner 1998). Thus, Bismarckian familialism not only accounts for reproduction but constitutes a crucial filter against minimum income dependency by providing important income resources and extended social services for weaker or more vulnerable groups of society.

Securing the primary filter of protected employment and important family welfare, predominantly passive and work status-oriented social security programmes preclude the receipt of a last-resort minimum income. Bismarckian social security systems' rationale is to react to the uncertainties of - typically male - 'normal' employment careers. Descriptions of the standard Bismarckian social protection system identify advanced programmes dominated by a work-based insurance logic (Heidenreich 2004; Ferrera and Hemerijck 2003). This means that social security depends in a significant manner on the level of prior contributions and exerts a strongly status-conserving effect expressed by generous benefits of long duration. In general, social protection is rather based on money transfers instead of services. Passive elements of social protection are thus strong in the Bismarckian welfare state (Esping-Andersen 1999). If services exist such as in the area of unemployment policy, they constitute voluntary offers to uphold the unemployed worker's status in further training, education schemes, early retirement schemes, or subsidized jobs (Clasen and Clegg 2003; Eichhorst et al. 2008b: 18).

Summarising Continental Europe's typical external institutional filters of minimum income receipt, Bismarckian welfare institutions traditionally promote a particular 'division of labour' between employment, the family and social security. According to the premises and hazards



of a traditional industrial risk community, the risk of minimum income receipt is externally filtered by socially secured male-breadwinner family wages, a women in the household based model of family welfare providing important social services, and status-preserving, contribution-based social programmes providing primarily monetary benefits against risks like unemployment, illness or old age. This traditional solidarity structure leads to a very specific distribution of opportunities for inclusion. While male breadwinner careers are privileged by the exclusive employment model, those excluded from the labour market are weaker and more vulnerable groups who are typically included by socially secured family income, services of the family or contribution-based insurance.

### **3.1.2. General Minimum Income Programmes' Internal Bismarckian Filter**

Given the broadly institutionalised functions of socially secured employment, strong family welfare and status-based social protection, the internal regulation of minimum income receipt is directed at a residual function (Gough et al. 1997; Gough 2001).

Regulation of tax-financed minimum income programmes strongly refers to the income and service opportunities of the external institutional filters. Accordingly, in Bismarckian countries, minimum income programmes are principally 'subsidiary' to insurance based social security benefits and family income and services. Regulation for means-testing illustrates this supplementary character of benefits. Means-testing for the eligibility to minimum income benefits tends to include wider obligations of the family to account for individual problems of inclusion. The tax-financed benefits' rather low generosity adds to the residual character of general minimum income programmes (Gough 2001: 59). Furthermore, minimum income programmes in Bismarckian Europe are only moderately formalised (Gough et al. 1997: 36f). As a result, assistance arrangements usually go along with certain discretion in granting benefits.

Receipt of a minimum income benefit is in the typical Bismarckian welfare state rather loosely coupled to work requirements. Incentives for the take-up of work are usually not provided for in a coherent and detailed manner (Gough et al. 1997; Gough 2001) as this would undermine the model of socially secured employment (Clasen and Clegg 2006). Instead of applying stringent work requirements, a social work 'treatment' is often assigned to recipients of minimum income schemes (Lødemel and Trickey 2001). Therefore, for a long time, 'residual' minimum income schemes did not develop an explicit component of labour market policy in Bismarckian countries.

In short, reduced to a residual role of meagre to moderate benefits, the internal regulation of minimum income schemes accords these tax-financed programmes a strictly subsidiary function to contribution-based insurance programmes and family obligations. Minimum income benefits thus constitute a last-resort option for the ‘extreme’ outsiders who are not included into one of the filtering institutions of important family welfare, contribution-based benefit programmes or socially secured employment. Its disparate character is expressed by a regulation strongly decoupled from the characteristics of the predominant social protection institutions: minimum income schemes provide only moderate to low-level tax-based assistance benefits and traditionally belong to the field of social work.

### **3.2. The Erosion of the Bismarckian Filter**

The ‘division of labour’ of Bismarckian institutions between labour market policy for ‘workers’ and family welfare or passive social policy for weaker and more vulnerable groups has decreasingly proved as robust option. In particular, the Bismarckian labour market and family models which formed the primary filtering institutions of minimum income schemes are becoming less encompassing.

With regard to family welfare, fragilities have arisen due to increasing rates of family breakdown, female employment careers and the partly erosion of socially secured male breadwinner careers. These obstacles put on the family’s income and service function weigh particularly heavy for weaker and vulnerable groups because other options like employment or public social services have remained restricted in Bismarckian welfare states (Esping-Andersen 2006). The weakness of the family system proves difficult for women and lone-parents. However, the problems of traditional Bismarckian family welfare equally raise welfare questions with regard to those groups that, in the past, benefited from rehabilitation services and income options offered by the family (young people, sick people, older people, weaker groups of the labour market in general and persistently unemployed). The erosion of the familialistic welfare system, which had provided broad opportunities for income, care and rehabilitation for weaker and more vulnerable groups, exposes these groups to new risks of unemployment and long-term unemployment.

In parallel, changes in production, deindustrialisation and rising atypical employment have undermined options of socially secured employment and stable male-breadwinner careers (Schmid 2002). The partly erosion of the socially secured employment model, weak employment dynamics and exclusive labour markets have limited employment as a welfare

option for weaker groups of the labour market, more vulnerable groups of society, low-skilled and long-term unemployed.

Summing up, the Bismarckian model's primary external filtering institutions of minimum income schemes increasingly fail to provide options of welfare production in particular for weaker and more vulnerable groups including women, young, older people, low-skilled, persistently unemployed, migrants or sick persons. The increased challenges in the social and labour market inclusion of weaker and vulnerable groups in Continental European welfare states have been causing unemployment and particularly long-term unemployment and they have increased pressure on Bismarckian social security systems (Clegg 2007, Taylor-Gooby 2004). In other words, the fragilities in the primary filtering institutions have called for new solutions in Continental European welfare states especially for the inclusion of weaker and vulnerable groups.

#### **4. Activation as a New Filter Option**

Diffused by the EU and other international organisations (Armingeon 2007), new concepts have been put forward for safeguarding inclusion opportunities of weaker and more vulnerable groups in face of new social and economic risks arising. At the core of these concepts is the idea of activation into employment as a new and general premise against social exclusion (van Berkel and Valkenburg 2007: 8). The components of an activating welfare state are discussed first in order to then analyse their introduction as new filter against minimum income benefit receipt in four Continental European countries.

##### **4.1. Activating Labour Market and Social Policies**

Taking up this challenge to offer broader and more universal access conditions to work, qualification, income replacement, rehabilitation or care also for the weaker groups of society, a reformulated agenda for social and labour market policy has arisen (Schmid 2002; Barbier 2004; Clasen and Clegg 2006): a reform agenda has evolved which comprises the institutionalisation of (1) flexible labour markets, (2) work incentives, (3) integrated and employment-friendly social protection systems as well as (4) active labour market policies and social welfare services facilitating work take-up.

First, in order to allow for activation into employment, reform strategies suggest a comprehensive flexibilisation of labour market regulation. Flexible labour markets comprise possibilities for part-time jobs and temporary work arrangements. They also include the

possibility of low-paid employment. Employment situations shall hereby arise for the low-skilled, long-term unemployed, women, migrants, young or the elderly who are often faced with new risks of exclusion and difficult employment prospects (Wilthagen and Tros 2004) and therefore, in Bismarckian welfare states, increasingly risk to rely on minimum income schemes. Flexibilisation strategies challenge male-breadwinner-biased Bismarckian labour market policy as they suggest the comprehensive flexibilisation of labour markets in order to improve labour market access and upward mobility opportunities for weaker and more vulnerable groups, who often rely on minimum income benefits in Bismarckian welfare states.

Second, to realise the activation from benefits into work, ‘workfare’ elements put forward various instruments to push unemployed to integrate into flexible labour markets. Promoting the idea of ‘conditionality’ of benefits and services, the rationale is to counteract disincentive problems posed by flexible labour markets or low-income employment, which might especially exist for weaker groups of the labour market (Clasen and Clegg 2006). In contrast to Bismarckian welfare state practices of status conservation, workfare elements might introduce a restrictive definition of the duration and level of benefits, a broad definition of the acceptability of job-offers or requirements to participate in services, active labour market policy programmes or public work schemes (Lødemel and Trickey 2001). A sanctioning-regime might apply in the case of non compliance, for example with integration contracts (Eichhorst et al. 2008a).

Third, to cushion against risks of flexible and changing labour markets and non-standard employment biographies, activation policy reform concepts propose a ‘homogenisation’ of the social security systems for unemployed (Clasen and Clegg 2006: 533). Unemployment schemes that reward entitlements to persons according to status and skill differentials, notably status conserving arrangements as characterising the Bismarckian model, are regarded as unapt to deal with the conditions of flexible and changing labour markets and non-standard employment biographies. In particular for low-skilled and weaker groups of the labour market, status-based insurance tends to fail to provide protection and incentives needed for inclusion into open, market-oriented and individualised societies. A more generalised access to a basic support during unemployment is instead regarded as a mechanism that can also account for those weaker and more vulnerable groups experiencing increased societal and labour market risks.

Fourth, an ‘active’ welfare state refers to services that shall enable the activation of unemployed in various ways. In this context, active labour market policy acknowledges a range of measures as job-placement, training and further education to offset barriers related to immediate labour market integration (Hvinden 1999). However, in light of the objective to create broad and equal labour market access conditions not only for ‘workers’ but also for low-skilled, persistently unemployed, lone mothers, persons with disabilities or illness, other policy fields gain prominence. Services as for example for housing, family care, child care, health services (including drug and alcohol counselling), social counselling, psychological counselling or debt counselling are increasingly identified as crucial components in the context of employment-friendly policies (Eichhorst et al. 2008a).

In sum, this reform agenda including flexible labour markets, work incentives, services and integrated social security systems offers options also for the Bismarckian type Continental European welfare states to remodel institutions in a manner which can provide again an effective filter against risks of minimum income receipt particularly of weaker and more vulnerable groups.

## **4.2. Remodelling Continental Europe’ Minimum Income Filter**

Scrutinising reforms in the area of social security, labour markets, work incentives and services in the four main Continental European countries – Belgium, France, Germany and the Netherlands, we analyse the new attempts to institutionalise an effective filter against risks of minimum income receipt.

### **4.2.1. Changes in the Social Security System**

Except from Belgium, the Continental European countries have renounced on strengthening social security as an option to prevent weaker and more vulnerable groups against new risks of social exclusion.

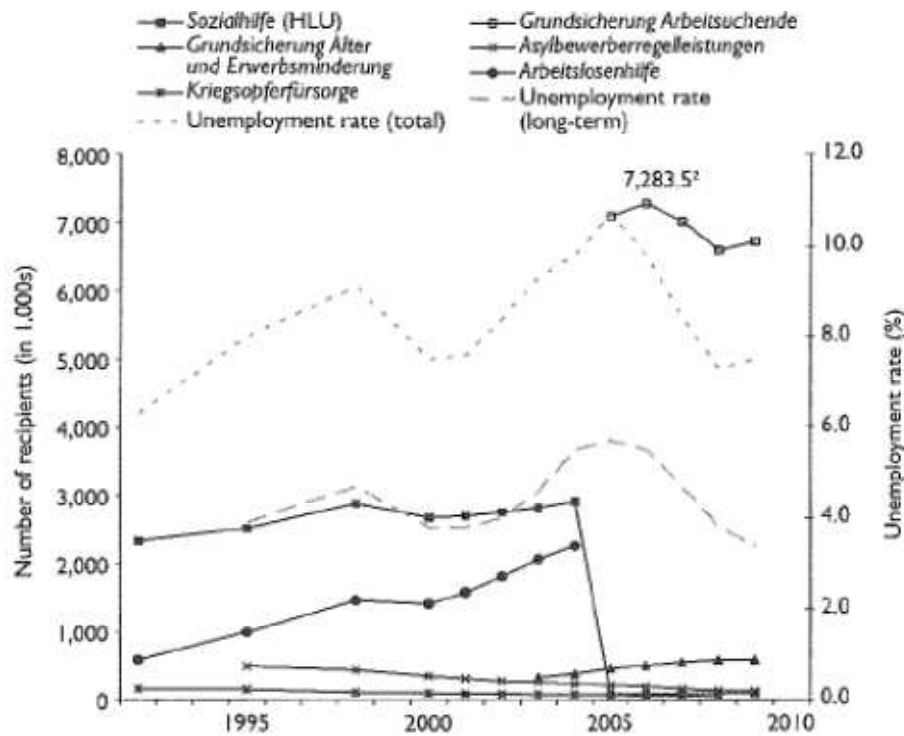
In Germany, following years of rising unemployment and unemployment benefit recipients, significant changes in the entitlement structures of protection against unemployment have taken place in the course of the Hartz reforms during the years 2003 until 2005 (Eichhorst et al. 2008a; Barbier and Knuth 2011b). Principles of status- and job protection were radically circumscribed. A shorter but still generous contribution-financed unemployment insurance scheme remains in place only for the short-term unemployed

(Unemployment Benefit I, UB I). Apart from some exceptions<sup>2</sup>, the maximum duration of this insurance-based unemployment benefit was reduced to one year. Being subject to strict eligibility criteria, this status-based benefit is reserved for those unemployed who have acquired a steady contribution record to the insurance scheme. At the same time, the former income-related protection for long-term unemployed was suppressed (Unemployment Assistance, UA). Benefit recipients of former income-related protection for long-term unemployed became eligible to a new general minimum income scheme at the level of prior social assistance. This newly created benefit scheme (Unemployment Benefit II, UB II) introduced a tax-funded, means-tested and flat-rate minimum income benefit as support for the long-term unemployed which did not much diverge from the strongly subsidiary former social assistance regime (Knuth 2009). Most of the assistance seekers who had been relying on the former scheme of means-tested social assistance also became recipients of the new minimum income scheme. This was due to a new and very broad definition of the ‘ability to work’ introduced by the reform. While numbers of social assistance seekers had been already steadily rising before, the social security reforms in 2005 triggered an even stronger increase in persons needing to resort to the last resort minimum income option whose strong subsidiary character remained in place (cf Fig 3).

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<sup>2</sup> Privileges of longer periods of benefit receipt were reintroduced for older unemployed in the aftermath of the reform.

**Fig. 3 General Minimum Income (HLU/Grundsicherung Arbeitssuchende) Receipt in Germany in Comparison, 1992-2010**

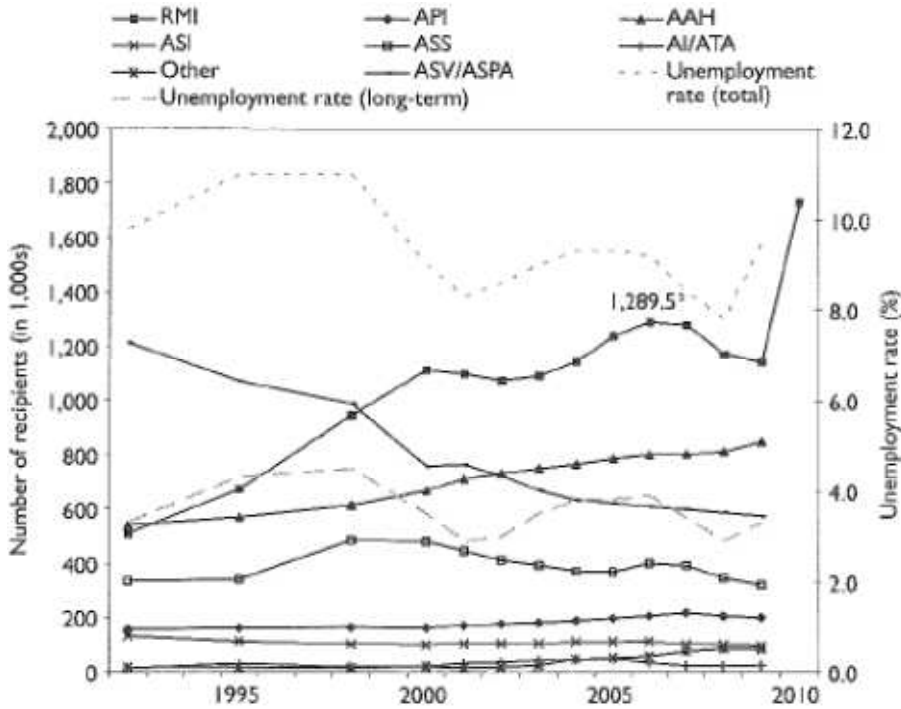


Source: Bahle et al. 2011

In France, reforms were less radical but did not lead to a strengthening of social security for weaker and more vulnerable groups either. Several, albeit smaller reforms have led to an increasingly circumscribed provision of unemployment insurance benefits (Allocation de Retour à l'Emploi, ARE) (Daguerre and Taylor-Gooby 2003: 630). Most significantly, in 2001, given continuous budgetary problems of the unemployment insurance programme, the social partners agreed to restrict entitlement criteria by strengthening the insurance principle. Stricter contributory requirements for accessing unemployment insurance and a reduction of the maximum duration of entitlement from 30 down to 23 months were introduced. A specific unemployment assistance programme remains in place, however, given a further tightening of eligibility criteria, this flat-rate and tax-financed unemployment assistance has turned into an exclusive social protection option for older long-term unemployed (Barbier and Knuth 2011a; Clegg and Palier 2012). Greater limitations in the more generous, higher-ranking programmes of status-protecting social security benefits but also a wider coverage of the general minimum income scheme have contributed to a constant increase in the number of minimum income benefit recipients (Daguerre and Taylor-Gooby 2003: 630; cf. Fig. 4). Since the introduction of the means-tested 'minimum income for insertion', RMI) in 1988, the number of assistance recipients has significantly increased. The replacement of the RMI in 2009 through the new

general minimum income scheme, RSA (Revenu Minimum de Solidarité Active) led to an extended coverage now including single parents, unemployed young persons<sup>3</sup>, and employed persons with low-incomes (Clegg and Palier 2012). Particularly younger unemployed, persons with weaker or unsteady contributory records and precarious non-employed increasingly have to rely on the general minimum income scheme against exclusion.

**Fig. 4 General Minimum Income (RMI/RSA) Receipt in France in Comparison, 1992-2010**



Source: Bahle et al. 2011

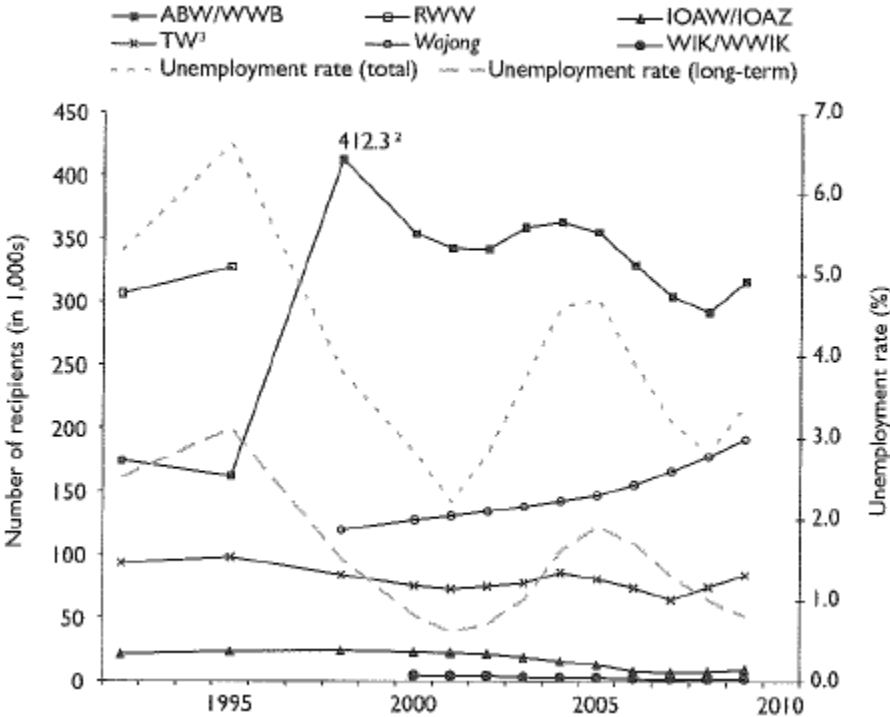
In the Netherlands, policies to cope with increasing numbers of recipients of social insurance set in the late 1970s already. Among these higher-ranking, specialised programmes, unemployment and even more so disability insurance had been subject to strong influx of benefit recipients. By coupling benefit rights more closely to past working records, repeated changes of the Unemployment Insurance Act (WW) have repealed persons with more irregular employment careers (Bahle et al. 2011: 112-13). In 2006, the unemployment insurance benefit was reduced from six to three months and made conditional upon having worked 26 out of the last 36 months. An unemployment assistance which would follow the wage-related insurance benefit for a maximum duration of one year had been abolished in 2003 already. An extension of the three months unemployment insurance benefit is only

<sup>3</sup> Persons under twenty-five years of age who have worked at least two years of the previous three but do not qualify for unemployment insurance can access the RSA.



possible if the claimant has worked four out of the past five years. Depending on the total working career of a claimant, benefit duration can then last up to three years and two months (previously five years). Simultaneously, by tightening eligibility criteria, the government has restricted access to the disability insurance programs (WAO). In 2006, a new law replaced the former disability programme by a new Labour Capacity Act (WIA), which makes long-term receipt subject to a stricter definition of occupational disability. In parallel, the minimum income programme, which was first introduced in the mid-1960s (Public Assistance Act, ABW), has expanded. Revisions introduced by the National Assistance Act of 1996 extended its coverage onto those unemployed who had been previously covered by a category-specific minimum income programme. In 2006, a new law on work and income (WWB) led to the establishment of a new general minimum income scheme. Its extended character, the restrictions in the higher ranking unemployment and disability insurance but also the ever more limited character of the other minimum income schemes (four today), triggered a strong increase in numbers of recipients of the general minimum income scheme which peaked in 1995 with almost half a million recipients (cf Fig. 5).

**Fig. 5 General Minimum Income (ABW/WWB) Receipt in the Netherlands in Comparison, 1992-2010**

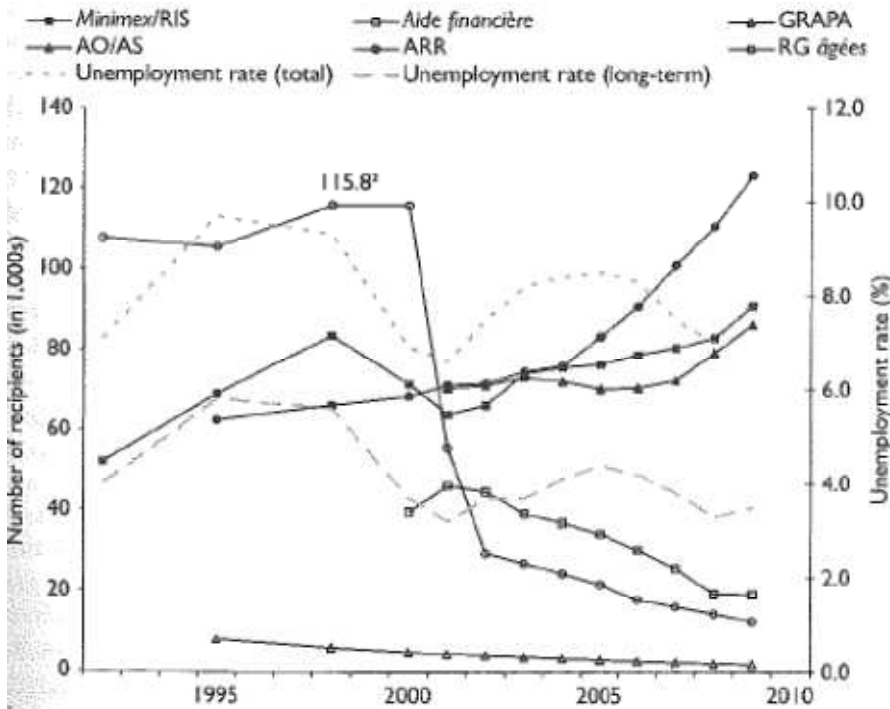


Source: Bahle et al. 2011

Among the Continental European countries, Belgium’s response to heavy increases in unemployment insurance seekers has been different. At the expense of status protection,

unemployment benefits have become much more oriented towards needs. While contributions have remained tight to wages, a series of smaller reforms have more and more shaped insurance benefits towards a logic of minimum income protection. In other words, the system’s effectiveness of minimum income protection has been improved through extending coverage to weaker and more vulnerable groups albeit at a generally reduced level of benefits for all recipients (Hemerijck and Marx 2011: 140). Benefit duration remains practically unlimited. Consequently, instead of tightening eligibility criteria of unemployment insurance, the system has become more inclusive for weaker and more vulnerable groups. As a result of the insurance system’s minimum income protection function for most of the non-disabled population, minimum schemes concentrate on other social groups (Bahle et al. 2011: 60). Therefore, the Belgian general minimum income scheme (revenue d’integration social, RIS) has only slightly increased in terms of numbers of benefit recipients (cf. Fig. 6).

**Fig. 6 General Minimum Income (Minimex/RIS) Receipt in Belgium in Comparison, 1992-2010**



Source: Bahle et al. 2011

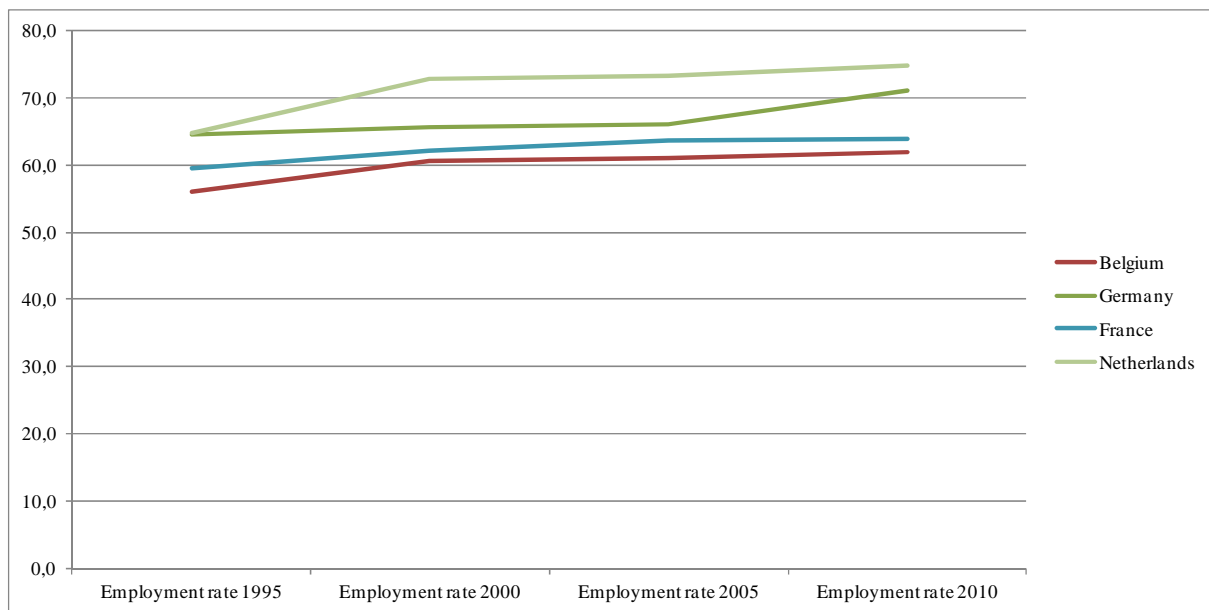
In sum, only Belgium has strengthened a more inclusive social insurance system which is a reform option to prevent weaker and more vulnerable groups’ increased risks of social exclusion. In contrast, reforms in the other Continental European countries have renounced on greater social security for weaker and more vulnerable groups. Instead, two-tier social security systems evolve including an ever more exclusive ‘higher-ranking’ tier of

Bismarckian type insurances for ‘normal workers’ and a generalised residual ‘last-resort’ minimum income option for needy workless groups, long-term unemployed, unemployed persons with unstable employment biographies or precariously employed.

#### 4.2.2. Changes in Labour Market Regulation

Apart from Belgium, a more flexible labour market evolves in Continental Europe as an alternative to assistance benefit receipt.

**Fig. 7: Employment rate people age 15-64 (Belgium, Germany, France, Netherlands)**

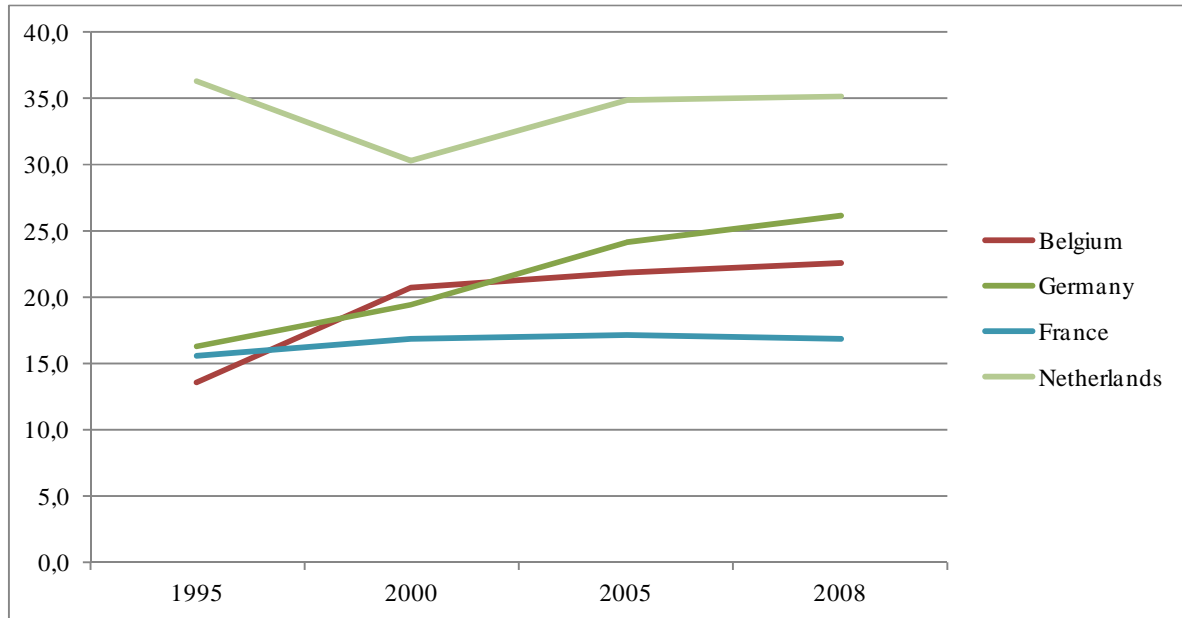


Source: Eurostat 2011a.

France has embarked on a policy of raising employment rates (cf. 7) focusing on persons susceptible to minimum income receipt. The introduction of the RSA has initiated a broad in-work benefit programme for low-paid employees (Clegg and Palier 2012). In the new regulation of the minimum income scheme, a permanent tax credit was introduced in order to incite take-up of low-income employment. To increase work incentives, a so far marginal and unspecified tax credit (*prime pour l'emploi*) is now being explicitly targeted at low earners. For this purpose it was attached to the minimum income regulation and the payment mode was shifted from an annual to a monthly subsidy. Employment of long-term unemployed or otherwise disadvantaged groups is thus incited by a top-up for low earners. In parallel, labour market flexibilisation was strengthened through the increased possibilities of atypical employment contracts (Barbier and Kaufmann 2007). As a result, particularly the share of employees with temporary contracts has increased (cf. Fig. 9). In sum, the new RSA

presents an attempt to stimulate low-paid employment opportunities for weaker and more vulnerable groups as a new alternative to minimum income receipt.

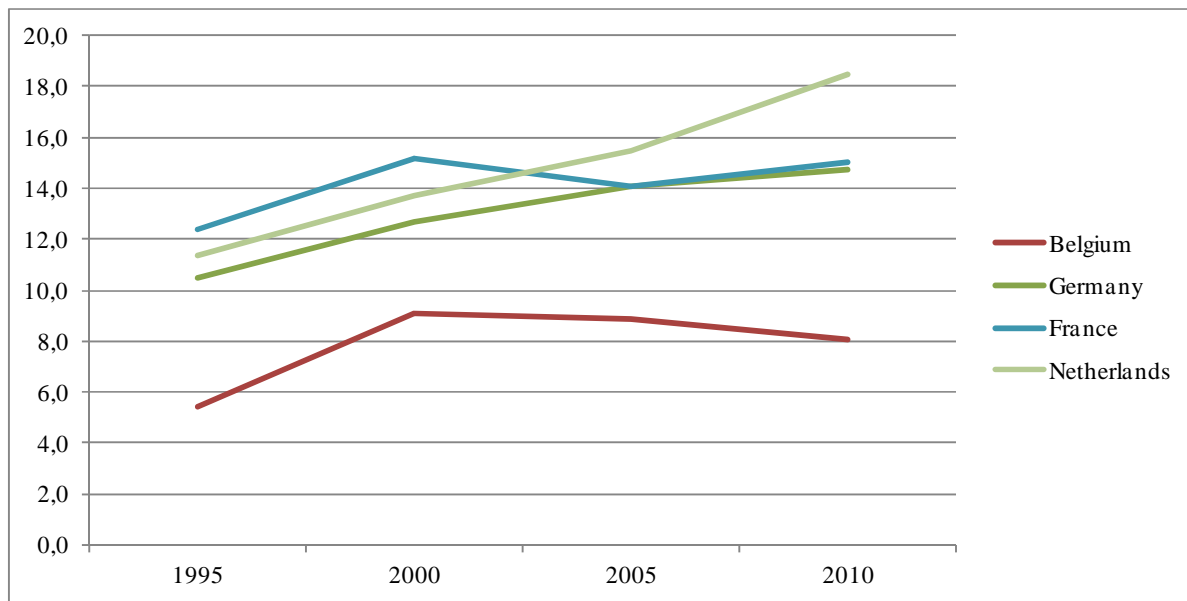
**Fig. 8: Part time workers in percentage of total employment (Belgium, Germany, France, Netherlands)**



Source: OECD 2011a.

In Germany, the recent Hartz reforms have been accompanied by a strong increase in employment rates (cf. Fig. 7). In particular, part-time and temporary employment have increased among employment while the relative importance of the normal employment relationships is shrinking (cf. Fig. 8, 9, 10). Instruments for greater labour market flexibility as ‘making-work pay’ schemes (Mini- and Midi Jobs) or temporary employment tend to focus exclusively on lower-income segments or are explicitly applied for weaker groups of the labour market (Eichhorst et al. 2008b). Furthermore, low earners support by complementary payments of the general minimum income scheme (UB II) indeed presents an instrument of “hidden subsidies for low-paid jobs” (Barbier and Knuth 2011a: 6). In sum, labour market flexibilisation and opportunities of low income employment have been installed as a strategy to respond to weaker and more vulnerable groups’ increased risks of minimum income receipt.

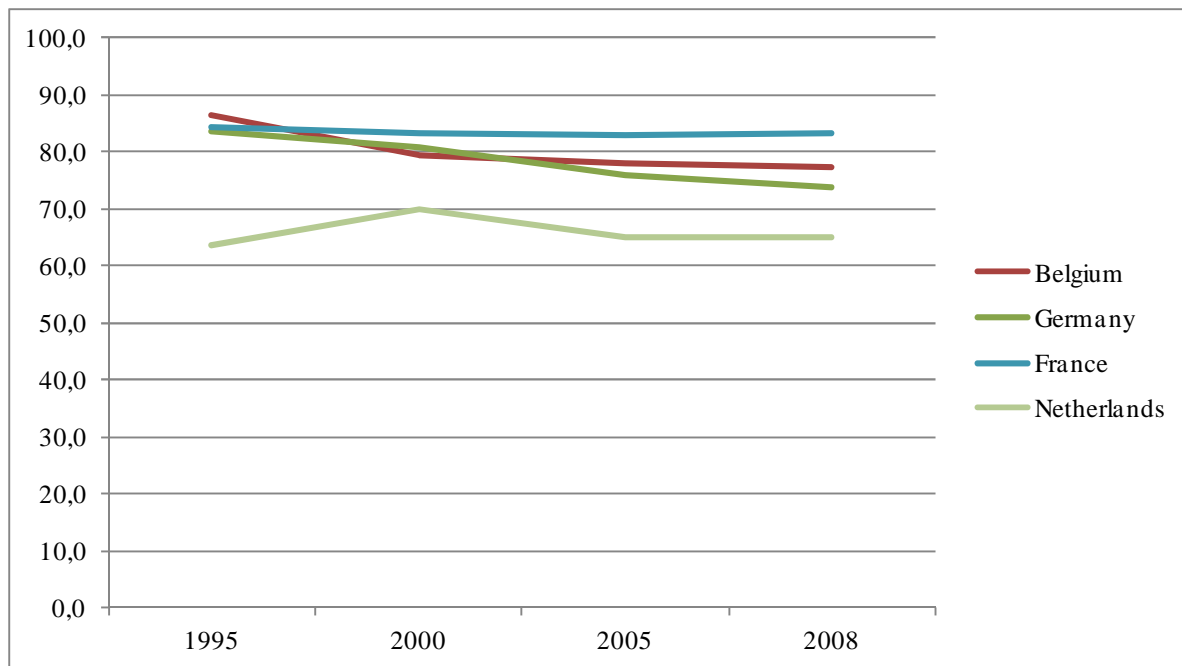
**Fig. 9: Percentage of employees with temporary contracts (Belgium, Germany, France, Netherlands)**



Source: Eurostat 2011b.

In the Netherlands, substantive increases of employment rates (cf. Fig. 7) followed reforms of labour market flexibilisation which were introduced from the mid 1990s onward (Hemerijck and Marx 2011) - at a time when numbers of minimum income recipients were peaking. With a constant share of above 30% of total employment, part-time employment is among the highest rates in the EU (cf. Fig. 8). Since the mid 1990s, also the share of employees with temporary contracts has been constantly on the rise (cf. Fig. 9). As part of this policy concentrated on raising employment rates, the take up of low-paid jobs slightly above or even under the level of the general minimum income scheme is explicitly stipulated (Bahle 2011: 114). By exempting parts of work income from the means-test, a top-up is granted to those minimum income recipients who are working. In addition, employees with an income close to the level of minimum income provision have the right to claim benefits such as school supplies or healthcare subventions. Low income employment is further promoted by granting rent supplements and subsidies for compulsory healthcare contributions. Summing up, an important focus of labour market flexibilisation strategies in the Netherlands has been placed on employment promotion for persons susceptible to minimum income receipt.

**Fig. 10: Full time workers in percentage of total employment (Belgium, Germany, France Netherlands)**



Source: OECD 2011a.

In Belgium, labour market flexibilisation has been much less pronounced than in the other Continental European countries. Low skilled workers and low paid employees have been targeted by very moderate reductions from social security contributions (Hemerijck and Marx 2011: 143). In 2000, a rather marginal social security reduction was introduced to promote employment slightly above or at the level of the minimum wage. This measure was further expanded by a ‘work bonus’ in 2005. At the same time, forms of atypical employment like part-time and even more so temporary employment remain limited in Belgium compared to the rest of Continental Europe (cf. Fig. 8, 9). Also overall employment rates remain lowest in Continental Europe (cf. Fig. 7) indicating that Belgium has not embarked on the same path of employment promotion through low-paid or ‘atypical’ work for weaker and more vulnerable groups.

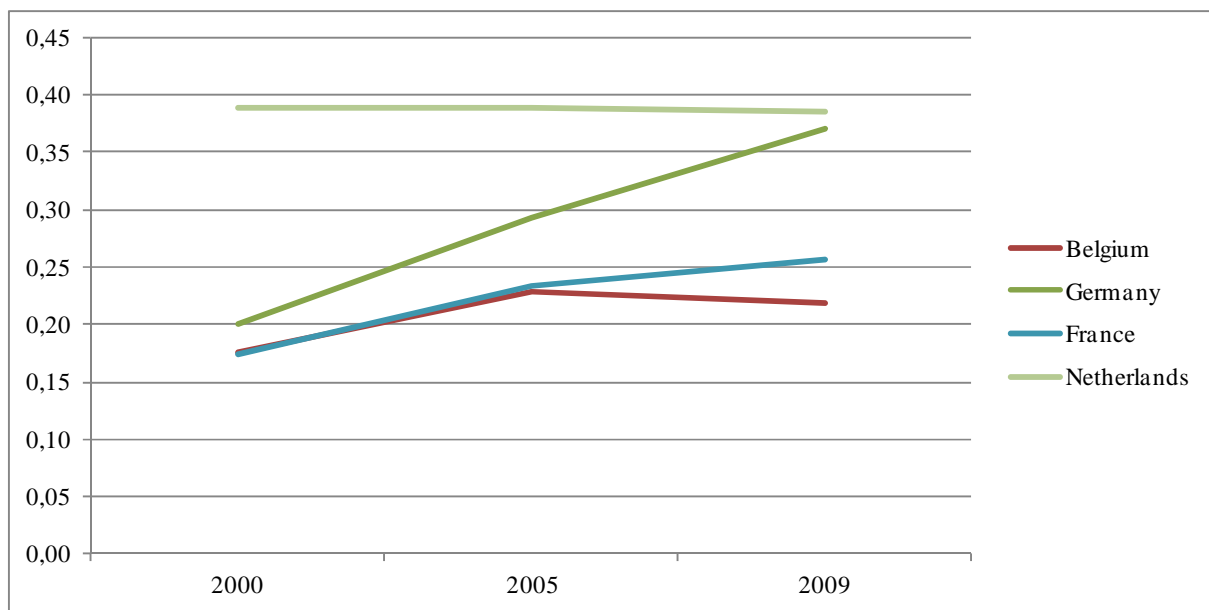
In sum, apart from Belgium, Continental European countries implement labour market flexibilisation strategies as an option to increase employment for weaker and more vulnerable groups. Thus, the trend towards an increase of part-time or temporary jobs and the introduction of employment strategies inciting low-paid employment hint at a certain flexibilisation of previously strongly regulated labour markets in France, Germany and the Netherlands – also to reduce increased risks of minimum income receipt in these countries (see chapter 4.2.1). However, apart from a flexibilised segment of part-time, non-permanent or low-paid jobs, a rigid segment of permanent and well-protected jobs persists giving rise to

a significant dualism in continental European labour markets (Palier 2010; Palier and Thelen 2010).

### 4.2.3. Social Service Developments

Some Continental European countries increasingly refer to social services as enabling strategy for the labour market integration of weaker and more vulnerable groups.

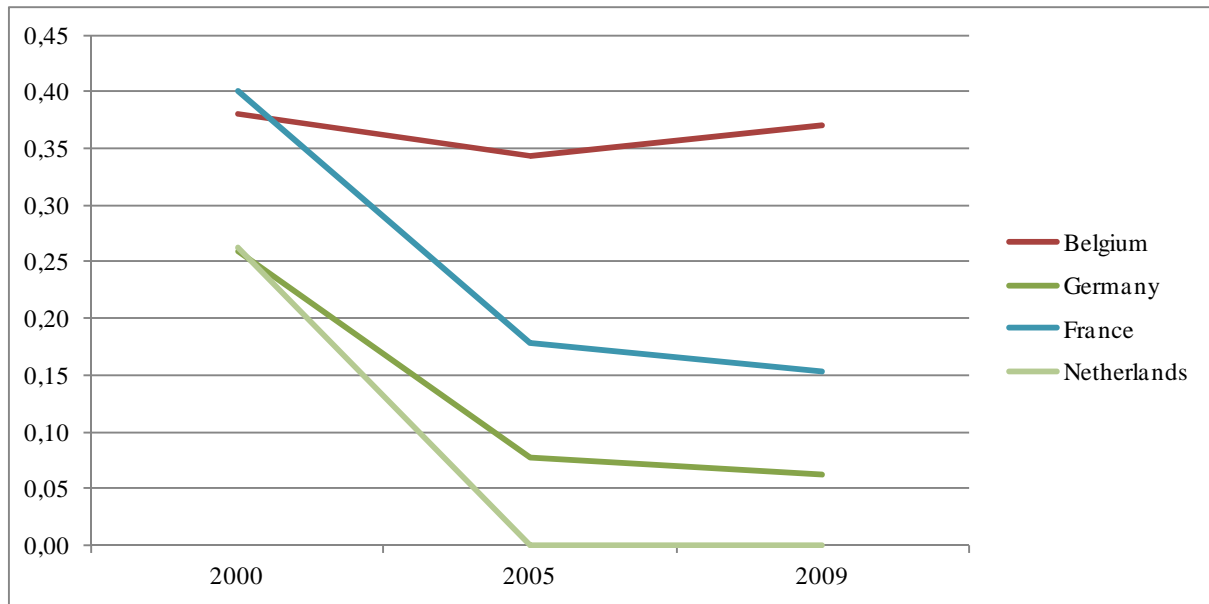
**Fig. 11: Labour market services in percentage of the GDP (Belgium, Germany, France, Netherlands)**



Source: Eurostat 2011c.

While expenditures for labour market services have increased only modestly in France (cf. Fig. 11), a shift of these services towards labour market integration efforts for weaker and vulnerable groups can be observed. Direct job creation, which had always been a pillar of the French strategy of status protection, has been significantly reduced (cf. Fig. 12). Furthermore, early retirement programmes which had a similar status-protecting effect have become merely irrelevant (cf. Fig. 13). At the same time, the French RSA reform has suggested to treat minimum income recipients as ‘normal’ jobseekers who require not only social work services but also services of active labour market policy (Barbier and Knuth 2011a: 14).

**Fig. 12: Direct job creation in percentage of the GDP (Belgium, Germany, France, Netherlands)<sup>4</sup>**



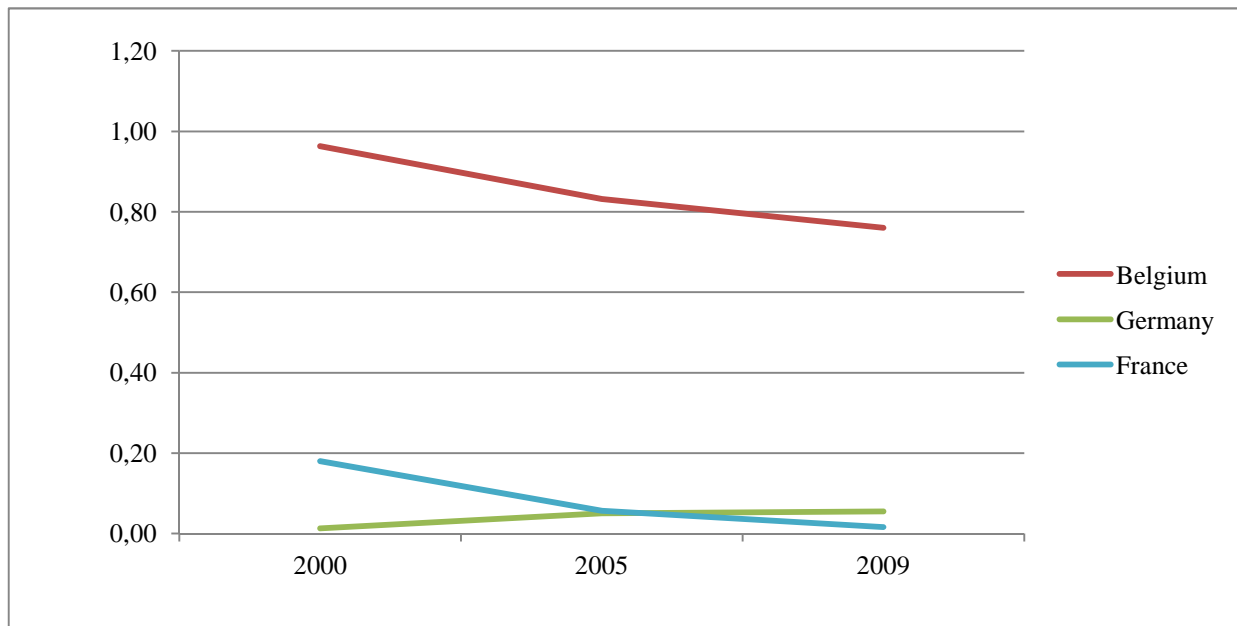
Source: Eurostat 2011c.

In Germany, labour market services have not only increased in importance (cf. Fig. 11) but also shifted their focus away from status protection towards labour market integration. As part of these changes, early retirement and direct job creation programmes meant to uphold the status of core workers have been significantly scaled back (cf. Fig. 12 and 13). Instead, the Hartz reforms have stipulated a comprehensive set of placement services, training programmes and social welfare services for minimum income benefit recipients (Eichhorst et al. 2008b). Strategies of employment promotion for persons susceptible to minimum income benefit receipt are thus enhanced by targeted services.

<sup>4</sup> Belgium: 2004 earliest data available.



**Fig. 13: Early retirement in percentage of the GDP (Belgium, Germany, France)**



Source: Eurostat 2011c.

In the Netherlands, expenditures for active labour market services have constantly been the highest in Continental Europe (cf. Fig. 11). While newly established public employment services were initially regarded as ineffective, more stringent approaches of active labour market policy measures during the 1990s were targeted at low-skilled workers, younger unemployed, long-term unemployed and women (Hemerijck and Marx 2011: 135). At the same time, early retirement schemes were scaled back to increase labour market participation also among older people (cf. Fig. 13). Also, measures of direct employment creation came to a virtual halt in 2005 (cf. Fig. 12). In contrast to ALMP, the Netherlands started late with the built up of child care facilities. While improvements have been made, child care services often remain on a partial basis enabling mostly part-time work (Hemerijck and Marx 2011: 136). In sum, the Netherlands have very early accompanied labour market flexibilisation by enabling elements for the work take-up of weaker and more vulnerable groups who had been increasingly facing risks of minimum income benefit receipt.

In Belgium, expenditures for labour market services remain clearly less significant than in the other Continental European countries (cf. Fig. 11). Work or qualification programmes are mainly offered to unemployed insurance benefit recipients (Bahle et al. 2011: 60). However, active labour market policies mainly consist of classical Bismarckian elements ascribed to a social treatment of unemployment. Expenditure shares for direct job creation programs are continuously high and even increasing (cf. Fig. 12) while the other Continental European countries have reduced these drastically. Also, Belgium stands out among

Continental Europe with regard to early retirement schemes which remain important (Fig. 13). Early retirement is indeed an extension of the unemployment insurance system offering a bridge into retirement for workers considered being less productive. Belgium thus remains attached to a rather passive approach of labour market policy.

Summing up, strategies of greater labour market opportunities in France, Germany and the Netherlands are increasingly accompanied by social services for easing the employment barriers of persistently unemployed, disadvantaged groups of society and persons with non-standard biographies. Services are thus established complementary to greater labour market opportunities in those countries where social security against risks of minimum income receipt has been weakened.

#### **4.2.4. Workfare Reforms**

Apart from increased employment opportunities and social services, activation from social benefits into work is enhanced in some Continental European countries by the application of work requirements, incentives and other workfare elements.

In France, work requirements in the unemployment insurance system have been introduced in a less stringent manner than in the general minimum income scheme. A series of reforms has reinforced the idea of the minimum income scheme to function as a welfare-to-work scheme (Erhel and Zajdela 2004). While the original minimum income benefit regulation privileged social integration over work obligations (Clasen and Clegg 2003: 376), consecutive reforms have increased the significance of work. In 2003, the general minimum income benefit (RMI) was supplemented by a work-based benefit supplement (Revenu minimum d'activité, RMA) which was conditional upon the acceptance of employment. In 2010, the introduction of the active solidarity allowance (RSA), set a clear linkage between minimum income benefits and work (Clegg and Palier 2012). The new regulation stipulates the requirement for benefit recipients to look for a job (Barbier and Knuth 2011a: 14). In line with a greater stress on individual obligations, the existing sanction regime in the case of non-compliance has been made easier to apply (Clegg and Palier 2012). This workfare orientation corresponds to a broader definition of 'reasonable' employment which was introduced in 2008 (Barbier and Knuth 2011a: 13). In sum, workfare elements have been explicitly introduced in the reformed French minimum income scheme in order to push recipients into employment.

Similar, German labour market and social policy reforms have concentrated the application of workfare elements on minimum income recipients. Carrying on a principle of former social assistance regulation, the main idea of the new minimum income scheme (ALG II) is that beneficiaries shall solve neediness through ‘self-help’ notably by employment (Knuth 2009). Conditionality is therefore an important criterion of benefit payments. Numerous elements stress the benefit recipients’ individual activity requirements. Overall, regulation aims to promote the (re-) integration into the labour market. For this purpose, acceptability requirements for suitable work are defined in a very broad manner. In contrast to recipients of the status conserving insurance scheme against unemployment (UB I), benefit recipients of the minimum income scheme (UB II) are required to accept jobs paid below the rate of collective wage agreements or the wages normally paid in a region. Also the signature of integration contracts is mandatory for benefit claimants. A detailed sanction regime exists for the non-compliance of benefit recipients (Eichhorst et al. 2008b).

Also in the Netherlands, workfare elements have been focused on the general minimum income scheme. When numbers of recipients of the general minimum income scheme were peaking, the new Social Assistance Act was established in 1996 making activity requirements obligatory for all recipients (Hemerijck and Marx 2011: 134). Later on, an exemption for single parents from the duty of searching for a job was limited to exceptional cases only. In addition, the reformed Work and Social Assistance Act (2004) further relaxed acceptability requirements of suitable work. The new law also reformed the benefit structure in order to avoid inactivity traps. For example, the general minimum income benefit for single persons was fixed at 50 percent of the minimum wage. In addition a relatively strict means-testing regulation is in place for recipients of the general minimum income scheme. The activity rationale for potential recipients of the general minimum income scheme is most clearly revealed by the 2009 regulation for young jobless under 27. This group is not anymore granted the general minimum income scheme. Instead, placement services immediately activate young benefit seekers into an apprenticeship or a job (Bahle et al. 2011: 114). At the same time, workfare elements remain less pronounced for recipients of unemployment insurance. Still, claimants of unemployment benefit are required to take an initial interview and follow and integration plan. Consequently, workfare in the Netherlands is a strategy especially applied requiring minimum income recipients to take up employment.

In Belgium, workfare elements remain less pronounced both in unemployment insurance as well as the general minimum income programme. The Belgium system of social

assistance has not been based on a rationale that necessarily established a direct link between lack of income and unemployment (Bahle 2003). While the reformed minimum income scheme recognises also the importance of a right to work, the previous system had only concentrated on the right to a minimum income (Bahle 2011: 61). In the area of unemployment insurance, the receipt of benefit remains practically unlimited apart for very few exceptions applied. Benefit suspension in the case of non-compliance with reporting or activity requirements is possible. While new attempts of the application of suspension rules have been recently made, a more continuous application has repeatedly failed in the past. Still, average benefit receipt remains higher than compared to other countries (Hemerijck and Marx 2011: 143).

Summing up, the linking up of minimum income receipt with strong requirements of work take-up is a key part of France's, Germany's and the Netherlands' selective activation of weaker and more vulnerable groups. In contrast, Belgium's strategy of stronger social security for weaker and more vulnerable groups renounces on the application of workfare elements.

#### **4.3. Conclusion: Social Security vs. Selective Activation**

Continental European countries embark on contrasting ways to replace general minimum income programmes' eroding Bismarckian filter of family welfare and secured employment. In Belgium, greater social security is established in a rather exclusive manner as new filter against weaker and more vulnerable groups' increased risks of social exclusion. In contrast, as France, Germany and the Netherlands have been renouncing on this option of a more inclusive social insurance system, all these countries had to deal at one point in time with strongly increasing numbers of minimum income recipients. Different from the social security option, a new filter against risks of minimum income receipt has been established also in these countries. 'Selective' reforms targeted at weaker and more vulnerable groups have institutionalised activation as a very specific filter against risks of minimum income receipt. Focusing on the labour market inclusion of weaker groups of the labour market, low-skilled unemployed and persistently unemployed, this new institutional filter introduces flexible labour markets, notably low paid employment, and puts a stress on work incentives and services (cf. Tab. 1).

**Tab. 1: Continental European filtering institutions of minimum income schemes**

	<b>National Orders of Filtering Institutions</b>	<b>Classical Bismarckian Filter</b>	<b>Activating Bismarckian Filter</b>
MIS Internal Filter	Coverage of Needs	Residual	Extension on working-poor but still low to moderate generosity
	Definition of Responsibility	Family or Social Work	Active Citizen
	Degree of Legal Codification	Moderate	Moderate
	Extent of Means-testing	Subsidiary to Family Welfare or Social Insurance	Subsidiary to Work Income, Family Welfare or Social Insurance
MIS External Filter	Activity requirements	Social treatment	Workfare
	Employment System	Socially Secured Male-breadwinner Employment	Partial Flexibilisation
	Household System	Family-based Welfare for Income, Reproduction Rehabilitation and Care	Restricted Family Welfare
	Higher-ranking Social Security Programmes	Status-based, generous Social Security,	Employment-friendly Social Insurance for Strong Contributors
	Services	Passive Welfare State and active Labour Market Policy for Workers	Focus of Active Labour Market Policy and Social Welfare Services on Weaker Groups
	Dominant Mode of Inclusion/Exclusion	Between workers and non-working groups	Between insiders and outsiders of the labour market

Source: own representation.

## 5. Conclusion: Activation in the Shadow of Bismarckian Institutions

This paper illustrated that activation is implemented in Bismarckian type Continental European countries as a strategy to respond to high numbers of minimum income benefit recipients.

Rising numbers of minimum income benefit recipients are one among other indicators hinting at broader challenges of Bismarckian style welfare states to institutionalise new and reliable institutional filters against risks of social exclusion. Due to economic and social transformation, classical Bismarckian institutions of secured male breadwinner employment, family welfare and developed status-based higher ranking social security programmes have increasingly failed to safeguard inclusion of weaker and more vulnerable groups. As a result, all Continental European countries have been facing similar challenges of increasing long-

term unemployment, more precarious situations of employed and non-employed as well as strong increases in persons claiming social security.

However, activating social and labour market policies were introduced in those Continental European countries only where the inclusion of weaker and more vulnerable groups has turned into a problem of high numbers of minimum income recipients. Here, Continental European countries very selectively applied the premises of an activating welfare state. Renouncing on greater social security, selective activation concentrates on institutionalising atypical employment, strong work incentives and requirements as well as targeted social services for weaker and vulnerable groups' labour market inclusion. This practice of selective activation of persons susceptible to risks of minimum income receipt requires greater explanation.

First, in Continental Europe, disparate minimum income schemes appear to be more compatible with activating social and labour market policies than corporatist Bismarckian social insurance institutions. Reforms in Belgium have concentrated on the remodelling of the social insurance system in order to deal with increasing problems of inclusion of weaker and vulnerable groups. As the changes have remodelled unemployment insurance from an exclusive Bismarckian system towards an inclusive logic of minimum income protection, most of the unemployed have remained under the patronage of corporatist run social insurance. The corporatist actors have thus remained in a better position to defend the principle of status protection for most of the unemployed. As a result, activating social and labour market policies have not been established in Belgium. In contrast, activating social and labour market policies have been successfully implemented in France, Germany and the Netherlands, notably as an instrument to respond to high numbers of means-tested minimum income recipients. In the area of means-tested minimum income programmes it appears easier to introduce activating social and labour market policy reforms. Such reforms take place in the shadow of the social insurance system and are thus less contested by corporatist actors.

Second, more so than increased numbers of social insurance, the rise in the number of minimum income recipients presents a social problem which requires an urgent solution. This can be explained by the fact that minimum income programmes in Continental Europe only provide a meagre to moderate minimum of resources. The idea is then to move persons above the poverty line for which activation into employment is viewed as an option. At the same time, the perception of high numbers of minimum income recipients as an urgent social problem is also linked to a specific legacy of minimum income programmes in Continental

Europe. In contrast to social insurance recipients, minimum income programmes in Bismarckian Continental Europe have a strong legacy of serving the “undeserving” poor (Whiteside 2007) who require support and guidance.

Another explanation for the different policy reactions relates to the organisation of minimum income schemes in Continental European countries which is traditionally to a great extent left to local authorities (Künzel 2012). As a result, rising numbers of minimum income schemes present an important burden on local authorities’ tight budgets. If not already locally available, national governments have responded to local budgetary problems by making available to local authorities the instruments of activating social and labour market policies. Activation of minimum income recipients is thus also implemented in order to reduce local budgetary pressure.

To put it into a nutshell, the introduction of activating social and labour market policies in Continental Europe takes place in the shadow of the established Bismarckian institutions via local, non-corporatist and stigmatized minimum income programmes.

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