

## Putting Together the Pieces of the Puzzle: Explaining German Labor Market Reforms with a Modified Multiple-Streams Approach

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*This article applies a modified Multiple-Streams Approach (MSA) to the German Hartz IV labor market reform, probably the most far-reaching policy project since unification, which many theoretical approaches have substantial difficulties explaining. Empirically, the article provides the first encompassing explanation of the Hartz IV reform by putting together the empirical pieces of the overall puzzle. Theoretically, the article demonstrates that the extension of the MSA by Herweg, Huß, and Zohlnhöfer (HHZ) is fruitful regarding the adaptation of the MSA for decision making and regarding their hypotheses and operational definitions which allow a rigorous empirical analysis and provide the possibility to prove the MSA wrong. In contrast, HHZ's adaptation to parliamentary systems turn out to be less suitable for the case. Moreover, the point at which the political stream is considered to be ready for coupling needs reconsideration. It is argued that it suffices that some key political actors become interested in a proposal; in contrast, the necessary majorities for an adoption of the proposal need not be forthcoming already because these can still be organized during decision-coupling.*

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**KEY WORDS:** multiple streams approach, labor market policy, decision making

### Introduction

Most studies in the tradition of the Multiple-Streams Approach (MSA) are qualitative case studies (Cairney & Heikkila, 2014; Jones et al., 2016). Although the explanations these studies have produced are “impressive,” they are also “difficult to generalize,” to cite Cairney and Heikkila (2014, p. 372). The main reason for this difficulty is that many of these case studies tend to adapt the MSA idiosyncratically to fit their case, often not taking other suggestions to refine the MSA into account and not being taken into account by others. Thus, Jones et al. (2016), in the most encompassing MSA meta-analysis to date, report that more than 50 new subcomponents of the MSA have been suggested in the literature, but hardly any of them seem to have been adopted by other authors.

Conversely, more recently, a literature has grown that aims at a theoretical refinement of the MSA in a more general sense; that is, refinements are not related to specific cases. Examples include recent papers by Howlett, McConnell, and Perl (2015) as well as Herweg, Huß, and Zohlnhöfer (2015) (cf. Béland, 2005, for an example of an earlier conceptual paper). While these papers aim at a more abstract theoretical refinement of the MSA and thus an improvement of its overall explanatory capacity, they are not applied to empirical material beyond a few sketchy examples that are picked to illustrate specific points. Thus, although these papers may offer an innovative way to refine the MSA in the abstract, we do not know how they fare empirically. Therefore, while one strand of the MSA literature focusses on individual cases and often neglects the framework's theoretical refinement beyond the case at hand, these latter contributions focus on theoretical refinement but neglect empirical application.

This article seeks to bridge these two strands of the literature by applying one of the recent MSA modifications, namely Herweg et al. (2015) (henceforth HHZ), to an in-depth case study to find out whether it provides fruitful explanations and where it needs further modification. HHZ have suggested a novel way to adapt the MSA to parliamentary systems as well as to the decision-making stage of the policy cycle. What is more, they have deduced falsifiable hypotheses from the MSA and their adaptation that may guide empirical research.

The empirical case to be studied is the most far-reaching labor market reform in recent German history, colloquially referred to as Hartz IV. This reform is significant as it is often seen as a watershed in the development of the German labor market. The first post-unification governments of Christian democrats (CDU/CSU) and Liberals (FDP) responded to the collapse of employment in East Germany in the early 1990s with efforts to reduce the labor supply by generous early retirement schemes that made the country a prime example of "welfare without work" (Esping-Andersen, 1996). Together with nonetheless rising unemployment these programs, which were financed via social security contributions, drove up nonwage labor costs which in turn resulted in even more substantial job losses. The bourgeois government, therefore, tried to rein in social security contributions by retrenching a number of welfare programs from the mid-1990s onward but was voted out of office in 1998, essentially due to these reforms. The new government coalition of Social Democrats (SPD) and Greens (so-called red-green coalition) initially revoked these welfare cuts and apart from that essentially refrained from reforms of the labor market and the welfare state until very late in the legislative term. Nonetheless, in early 2002, around six months before the next elections, the government appointed an expert commission under the chairmanship of Volkswagen manager Peter Hartz which then put in train a series of far-reaching economic and welfare reforms that were adopted in the following years.

Hartz IV is the most far-reaching of these reforms with regard to the labor market and the welfare state. At the same time, although Hartz IV is often argued to (partially) explain the excellent German employment performance since the mid-2000s (OECD, 2012, pp. 40–44), it is certainly one of the politically most controversial reforms in recent German history. The reform stipulated a shortening of the period

during which unemployment benefits are paid. Moreover, unemployment assistance (“Arbeitslosenhilfe”) and social assistance (“Sozialhilfe”) were merged. While both benefits used to be means-tested and the respective entitlement periods were unlimited, the level of unemployment assistance was not related to need but to previous earnings. Therefore, this merger meant benefit reductions for substantial parts of the long-term unemployed. Furthermore, the criteria under which recipients of benefits could refuse a job were tightened.

From the point of view of policy scholars, Hartz IV is puzzling in a number of ways. The reform substantially reduced welfare entitlements for many unemployed and significantly increased work incentives. But, it was adopted by a coalition government in which the Social Democrats dominated economic and social policy. Moreover, the same coalition had been in power for an entire legislative term before it adopted Hartz IV and during the first four years in office it increased, rather than cut, welfare entitlements and reduced, rather than tightened, work incentives. It is, therefore, difficult to disagree with Fleckenstein (2012, p. 859) when he observes: “With the labour market reforms of the second Red-Green government (2002–2005), the power resources approach seems to lose any explanatory power.” Indeed, while the policies of increasing benefits and decommodification fits the expectations of the parties-do-matter hypothesis, the Hartz IV reform contradicts the expectation that left-wing parties expand the welfare state.

Moreover, the Hartz IV reform needed the approval of the Bundesrat, Germany’s powerful second chamber of parliament, in which the opposition parties of CDU/CSU and FDP commanded a majority at the time. According to veto player theory, the Bundesrat thus counts as an additional veto player and the congruence between the veto players should be rather low given the differences in the partisan composition of both chambers. And indeed, veto player theorists predicted in 2003—the very year Hartz IV was adopted—that “in the economic domain, the Schröder government will have immense problems reforming the obsolete labour and investment regulations, in particular in the strong bicameral Zustimmungsgesetzgebung [i.e., legislation needing the approval of the Bundesrat; RZ]” (König, Blume, & Luig, 2003, p. 105). Only four months after that prediction was published, the most encompassing labor market reform in living memory was adopted by both chambers.

Thus, the reform seems to be difficult to explain from the point of view of many established lenses of public policy research (Ruddat, 2011). Evidently, that does not mean that extant research entirely fails to give reasons why the reform was adopted. Fleckenstein (2008), for example, describes the importance of learning in expert circles in and around the Ministry of Labor for the content of the Hartz IV reform—but policy learning can neither explain why the parliamentary party of the Social Democrats accepted the reform despite substantial concerns nor why the opposition did not block Hartz IV in the Bundesrat. Nullmeier (2008), Niclauß (2011), and others, in contrast, point at the substantial centralization of the policymaking process in the chancellery during the drafting of the bill, which may have made its adoption easier—but they have very little to say about why these ideas came on the agenda to begin with and why at the time that they did. Similarly, Saalfeld (2006) takes a look at how the government was able to get Bundesrat approval for the reform but

remains silent about how the merger of the two welfare programs made it to the Bundesrat in the first place. Finally, Hassel and Schiller (2010) give an extremely detailed overview over the agenda setting and policymaking processes leading to Hartz IV and point to the importance of problems as triggers for the reform but their case study is not based on any explicit theoretical model.

This very brief review of the literature thus should make clear that a lot of empirical material on the reform is available and very good explanations for many of its aspects exist but what is lacking is an overall account of how the reform came about. Put differently, while most pieces of the puzzle of how Hartz IV came on the agenda and was adopted are available, they have not been put together in a convincing way yet.

Given this state of affairs, this article contributes to the literature in two ways. Empirically, it provides an encompassing explanation of the Hartz IV reform by putting together the empirical pieces of the overall puzzle. It does so using the modified MSA, which seems very well suited for the task. Theoretically, the article provides the first comprehensive empirical application of HHZ's extension of the MSA. As this extension has not yet been applied empirically, it is unclear how well it is suited to guide empirical research. The case study will show, however, that HHZ is indeed a promising way to apply the framework empirically. This is particularly true for HHZ's suggestion to adapt the MSA for decision making by way of a second coupling process. Moreover, their hypotheses and operational definitions are instrumental in allowing a rigorous empirical analysis and provide the possibility to prove the MSA wrong—a quality of the framework that has often been questioned in the literature (e.g., Sabatier, 2007, p. 327). In contrast, HHZ's adaptation to parliamentary systems turned out to be less suitable for the case study as parties played a much less important role in the policy stream than could be expected from HHZ. Finally, the case study shows that the point at which the political stream is considered to be ready for coupling is defined too strictly by HHZ (and probably in much of the literature). It is argued here that it suffices for the political stream to be ready for coupling that some key political actors become interested in a proposal; in contrast, the necessary majorities for an adoption of the proposal need not be forthcoming already because these can still be organized during decision-coupling.

The remainder of this article is structured as follows: in the next part, the MSA and the problems with the framework that have been identified in the literature are discussed. Moreover, the adaptation of the MSA to parliamentary systems and the decision-making stage as suggested by HHZ and their hypotheses are summarized. Following a few remarks on the methodological approach, the case study is presented by discussing the individual streams, agenda setting, as well as decision making. The final section concludes.

### **Adapting the MSA to Parliamentary Systems and the Decision-Making Stage**

Why should the MSA be employed to explain Hartz IV? And why and how should the framework be modified to do so? These are the questions that are discussed in this section.

As shown in the Introduction, the literature has not yet been able to put the pieces of the puzzle together for an overall explanation of Hartz IV despite a number of convincing explanations for certain aspects of the reform. The MSA with its focus on different streams that flow according to different dynamics might be helpful in this regard as it is able to integrate these different aspects. To give an example, policy learning and the centralization of policymaking have both been described in the literature on Hartz IV as very important aspects of the reform process. While these aspects might seem incompatible at first sight, the relevant processes may take place in different venues at different times and MSA could then be the lens that integrates these seemingly incompatible patterns in a single framework.

While the MSA thus could in principle be fruitfully applied to the reform process, the literature has identified a number of weaknesses of the framework that may make its application difficult and impair its explanatory potential. Whereas a fully fledged discussion of these weaknesses and potential remedies is beyond the scope of this article (for overviews cf. Mucciaroni, 2013; Zohlnhöfer & Rüb, 2015), two points of criticism need to be addressed in particular. On the one hand, some authors doubt that the framework is “clear enough to be proven wrong” to borrow Kuhlmann’s (2015) phrase. Sabatier (2007, p. 327) explains that “the multiple-streams framework has no explicit hypotheses and is so fluid in its structure and operationalization that falsification is difficult.” On the other hand, the MSA in its original form was developed for agenda-setting in the presidential system of the United States. If Hartz IV is to be explained with the framework it thus needs to be adapted in two ways. First, political processes in parliamentary systems like Germany are “more orderly” (Zahariadis, 2003, p. 1) than in the presidential one of the United States, not least thanks to the different roles of political parties. Second, the literature on the policy cycle (e.g., Jann & Wegerich, 2007) has convincingly argued that substantial differences exist between the phases of the policy cycle, including agenda-setting and policymaking. For example, very different actors are relevant in these two phases. As a consequence, there is broad agreement in the literature that Kingdon’s (1984) original framework needs to be modified to apply it to cases like the one of interest here.

The most influential adaptation of the MSA to parliamentary systems and policymaking was suggested by Zahariadis (1995, 2003). With regard to parliamentary systems, he proposed to leave Kingdon’s (1984) approach intact and simply collapse the elements of the political stream into one variable, namely party politics, thus recognizing the more prominent role of political parties in parliamentary systems. To adapt the framework to policymaking, he proposed to understand agenda-setting and policymaking as a single process “by which policymakers make an authoritative choice from a limited set of previously generated alternatives” (Zahariadis, 2003, p. 10). Thus, policymaking is part of the original coupling process according to Zahariadis.

While these suggestions among other things have the enormous advantage that they leave the logic of the MSA unchanged, they have also attracted some criticism (cf. Herweg et al., 2015; Howlett et al., 2015). On the one hand, it is difficult to see why interest groups and the national mood should not be relevant in parliamentary

systems; at the same time, parties may not only be important in the political stream in parliamentary systems but also have an independent role in the policy stream. On the other hand, proposals may well get on the agenda but fail to be adopted or may only be adopted in substantially modified form. Cases like these would be very difficult to analyze if agenda-setting and policymaking were collapsed into a single coupling process.

Therefore, HHZ suggest a number of extensions of the framework and derive nine hypotheses. With regard to the problem stream, the authors do not see the need to adapt its conceptualization to parliamentary systems. Moreover, given the abundance of conditions that policy entrepreneurs can frame as problems, the problem stream is likely to be ripe (in the sense that it can be coupled to a solution when a policy window opens) for most solutions most of the time. Therefore, the more interesting question is under which conditions a problem becomes relevant enough to open a problem window—particularly given the scarcity of government attention. HHZ argue that the key to this question is the electoral importance of a problem. They hypothesize that the more a condition puts a policymaker's re-election at risk, the more likely it is to open a policy window in the problem stream (hypothesis 1).

With regard to the political stream, HHZ follow Zahariadis (1995) in that they see the main difference between the U.S. system (for which the MSA was originally developed) and parliamentary systems in the important role political parties play in the latter, but not the former systems. Thus, they define "the political stream to be ripe when the majority party or the governing coalition embraces a proposal." The question then becomes under what conditions political parties or coalitions are likely to support proposals. As party leaderships, which dominate the political stream, do not have specific policy preferences, but are highly likely to be interested in their re-election, they are more likely to embrace proposals that they believe will help them win the next election or that they at least expect not to make winning the next election more difficult. Thus, the authors put forward the following hypothesis: "Parties are more likely to embrace proposals that (a) belong to issue areas they own; (b) are popular among the voters; and (c) powerful interest groups are unlikely to launch campaigns against" (hypothesis 2). Note that, in contrast to Zahariadis (1995), the authors thus reintroduce the national mood (hypothesis 2b) and interest groups (hypothesis 2c) into the political stream. Nonetheless, they argue that the parties dominate the political stream and it is possible that they embrace a proposal against interest group resistance or despite it being unpopular if party leaders "perceive the proposal as a solution to a problem whose continued existence endangers the governing parties' re-election" (hypothesis 3).

Furthermore, HHZ argue that parties are also relevant actors in the policy stream. More specifically, parties' policy experts (as opposed to the party leadership that is of prime importance in the political stream) participate in the policy communities and promote viable policy alternatives in their respective parties. Thus, they hypothesize that proposals are more likely to be adopted by a particular party if they can be attached to the basic party ideology or if they address already well-known core positions (hypothesis 4). Furthermore, HHZ come back to Kingdon's (1984) "criteria of survival" and hypothesize that if a policy proposal does not fulfil the

selection criteria, the likelihood of gaining agenda status and thus being coupled decreases significantly (hypothesis 5). They define the policy stream as being ripe, if at least one viable alternative is available which is defined as a proposal that is adopted by a political party as a whole.

The main argument of the MSA is that agenda change becomes more likely if (i) a policy window opens, (ii) the streams are ripe, and (iii) a policy-entrepreneur promotes the agenda change. This is HHZ's hypothesis 6. Similarly, hypothesis 7 can be directly deducted from Kingdon's (1984) work, namely that the policy-entrepreneur is more likely to couple the streams successfully during an open policy window, the more access to core decision makers she has.

Kingdon's (1984) original contribution stopped at this point, namely when agenda-setting is completed. Zahariadis (1995) was the first to argue that the MSA can also be used to explain decision making. HHZ agree with this argument but suggest a novel way of thinking about decision making in an MSA perspective. More specifically, they propose distinguishing two coupling processes (cf. already Herweg, 2013). The first one (agenda-coupling) concerns agenda-setting, while the second one takes place at the decision-making stage (decision-coupling) when actors bargain about specific details of a policy. The major difference between both couplings is that while the policy and problem streams remain to be relevant during decision-coupling, it is the political stream that is of prime importance at this stage because the main question then becomes: Will the proposal find the majority needed to get adopted?

The answer to this question depends on two relevant variables: the political entrepreneur and the existence of veto-actors. Hypothesis 8a predicts that a policy is more likely to be adopted if it is put forward by a political entrepreneur, i.e., a policy entrepreneur who holds an elected leadership position in government (Roberts & King, 1991, p. 152). In contrast to the policy entrepreneur who invests a substantial amount of resources into devising a proposal, drumming up support for it in the policy stream, and getting it on the agenda, the political entrepreneur is not involved in the arguing in the policy stream. Rather, once the proposal has been turned into a viable policy alternative by a policy entrepreneur, the political entrepreneur, i.e., an individual with substantial formal decision-making power, takes over. If she gets interested in the proposal (e.g., because the policy entrepreneur is able to convince her about the proposal's merits), she will adopt it as hers and try to find a majority for it in parliament.

If a political entrepreneur adopts the proposal and no actors other than a majority party (or coalition) need to agree to the policy change, it will likely take place. If, however, the consent of other actors (e.g., second chambers) is needed for the policy change, the political entrepreneur must try to win over their support. She can do so by granting concessions on her original proposal, by offering package deals, or by increasing (the perception of) the salience of the issue at stake, as veto actors will be more willing to compromise if they believe that voters think something needs to be done. Thus, HHZ further hypothesize that policy adoption is more likely, if the proposal was put forward by a governing party or coalition that is not constrained by other veto actors (hypothesis 8b), if different viable alternatives embraced by

Table 1. Summary of HHZ's Hypotheses

**Problem Stream**

*Hypothesis 1: The more a condition puts a policymaker's re-election at risk, the more likely it is to open a policy window in the problem stream.*

**Political Stream**

*Hypothesis 2: Parties are more likely to embrace proposals that (a) belong to issue areas they own, (b) are popular among the voters, and (c) powerful interest groups are unlikely to launch campaigns against.*

*Hypothesis 3: Governing parties are more likely to embrace proposals that are unpopular, or against which interest groups are likely to launch campaigns, if they perceive the proposal as a way to deal with a problem whose continued existence endangers their re-election.*

**Policy Stream**

*Hypothesis 4: Proposals are more likely to be adopted by a particular party if they can be attached to the basic party ideology or if they address already well-known core positions.*

*Hypothesis 5: If a policy proposal does not fulfil the selection criteria, the likelihood of gaining agenda status, and thus being coupled, decreases significantly.*

**Agenda Window**

*Hypothesis 6: Agenda change becomes more likely if (a) a policy window opens, (b) the streams are ripe, and (c) a policy entrepreneur promotes the agenda change.*

*Hypothesis 7: The policy entrepreneur is more likely to successfully couple the streams during an open policy window, the more access to core policymakers she has.*

**Decision Window**

*Hypothesis 8: Policy adoption is more likely if (a) the proposal is put forward by political entrepreneurs who hold an elected leadership position in government, (b) the proposal is put forward by a governing party or coalition that is not constrained by other veto actors, (c) different viable alternatives embraced by different parties can be combined in one package, (d) the problem that the policy is supposed to solve is salient among the voters.*

*Hypothesis 9: The policy adopted differs significantly from the original proposal if (a) actors other than the governing party have veto power (e.g., second chambers), and (b) powerful interest groups campaign against the draft proposal.*

different parties can be combined in one package to make a package deal possible (hypothesis 8c), and if the problem that the policy is supposed to solve is salient among the voters (hypothesis 8d). Moreover, regarding the extent to which the original proposal is altered during decision-coupling they predict (hypothesis 9): The policy adopted differs significantly from the original proposal if (a) actors other than the governing party have veto power (e.g., second chambers) and (b) powerful interest groups campaign against the draft proposal. Table 1 summarizes HHZ's hypotheses.

Before we can turn to an empirical application of the HHZ framework, some of its critical points should be discussed. Hypothesis 1, for example, argues that a problem window opens if the re-election of the policymakers is endangered by the continued existence of a problem. Doesn't this hypothesis have a distinct rational choice flavor which is alien to the MSA? Doesn't the hypothesis imply that policymakers have clear preferences—re-election—while MSA assumes that actors have unclear preferences? And doesn't the hypothesis also imply that policymakers are looking out for solutions to a problem? On closer inspection, this does not seem to be the case. The assumption about unclear preferences clearly relates to policymakers' policy preferences—they do not know what they want *in terms of policy*. In contrast, it is perfectly compatible with MSA to assume that policymakers have clear preferences with regard to the outcome of the next election.

Moreover, the hypothesis neither implies that policymakers will be particularly rational or successful when trying to predict the outcome of the next election nor

does it suggest that the policy they may eventually adopt will solve the problem. It just suggests that for whatever reason policymakers come to believe that a condition endangers their re-election they will want to do something about it. This, in turn, makes it more likely that they will listen to policy entrepreneurs who claim to have a solution to that problem. Similarly, policymakers will not know whether the policy they adopt will solve the problem; there may even be problems that cannot be solved at all. According to an MSA logic, this will not keep policymakers from adopting some policy, however. Rather, they may hope that public attention shifts away from the condition—the window closes—once something has been done about it.

Similarly, one could argue that some conditions that are hardly discussed in the general public can open problem windows if they obstruct the proper operation of some important subsystem.<sup>1</sup> Thus, problem windows would not only open if re-election is in danger. Two points are important here. First, the hypothesis does not claim that problem windows only open when re-election is endangered; rather, the risk of being ousted increases the likelihood of a problem window opening. Second, this to some extent is an empirical question which can only be answered by accumulating case study evidence.

One further potential cause for concern in HHZ's modification of the MSA is whether the independence of the streams, which is central to the MSA, is maintained. First, political parties are present in both the policy and the political streams. This should not be too problematic, however. While parties' policy experts are active in the policy stream, party leaders are important in the political stream. If these roles are kept distinct analytically, the differing dynamics in these streams are not impaired. Second, while according to HHZ a policy window opens if a condition puts the government's re-election at risk, this is precisely when key policymakers start looking out for solutions, i.e., when the political stream becomes ripe, too. Nevertheless, similar problems have been identified in the original formulation of the MSA, too (e.g., Mucciaroni, 2013, pp. 323–25), so they are not specific to the HHZ modification. The answer of MSA proponents has been that as long as the streams' dynamics differ, it makes sense to use stream independence as a "conceptual device" (Zahariadis, 2014, p. 42). This logic may also apply here. Nonetheless, it is quite clear that HHZ can only be applied to democratic systems in which political parties are key actors.

Before we turn to an empirical application of HHZ's version of the MSA, the methodological approach will be outlined briefly in the next section.

### Methodological Remarks

There is a substantial (mostly German language) secondary literature on many aspects of the policymaking process leading to the Hartz IV reform (above all Hassel & Schiller, 2010; but also Fleckenstein, 2008, 2012; Hegelich, Knollmann, & Kuhlmann, 2011; Nullmeier, 2008; Zohlnhöfer & Herweg, 2014; and many others; cf. Rudat, 2011, as an overview). The case study presented here relies on this literature in many ways.

Nonetheless, the case study is also based on various primary sources. First, a number of individuals who were involved in the policymaking process have published memoirs or similar documents in which they discuss the agenda setting and policymaking processes leading to Hartz IV, among them chancellor Schröder (2006); the head of the Chancellery at the time, Steinmeier (2009); the leader of the SPD's parliamentary party, Müntefering (2008); and the head of the Hartz Commission, Hartz (2007). For those actors who did not publish similar books, like the minister of labor, Clement, interviews and speeches were utilized. Second, newspaper articles and government as well as parliamentary documents have been analyzed. Finally, I have conducted four in-depth interviews with members of the policy community (academic member of the Hartz Commission) and government bureaucrats from the federal ministry of labor (secretary of state and head of a division, respectively) as well as one staff member of the parliamentary party of the Christian Democrats at the time. These interviews were conducted after the analysis of the primary sources and the secondary literature. As the policy stream turned out to be the most difficult element of the MSA to be analyzed relying on primary sources, I selected interviewees who played an important role in the policy stream themselves and were involved both in agenda-setting and (in the case of the government bureaucrats) decision making. Some of the questions, therefore, sought to gather information or assessments that could not be read off the sources and the literature and were thus very specific, e.g., regarding actor positions and influence. Other questions in contrast were meant to confront my preliminary conclusions (as well as those from the literature) with the insights of the experts. The insights from the interviews then informed the case study without, however, conducting a formal content analysis.

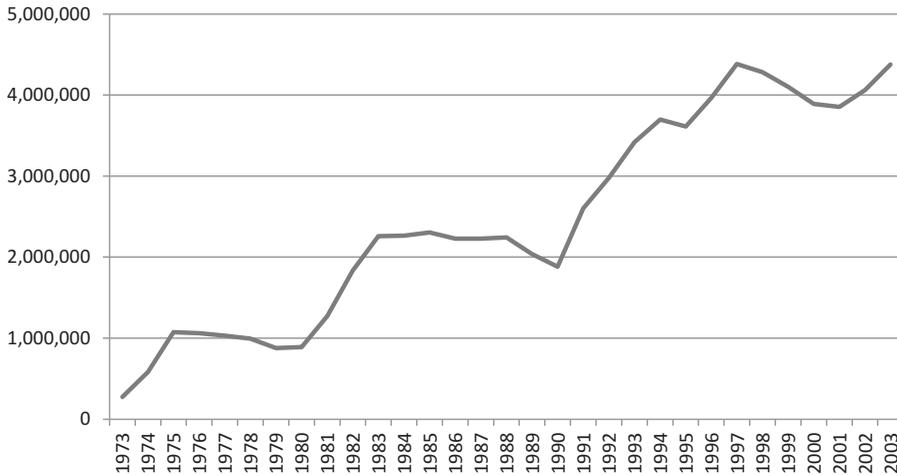
### **Explaining German Labor Market Reforms with the MSA**

In the following, HHZ's hypotheses will be confronted with empirical evidence from the most far-reaching labor-market reform in recent German history. I will first discuss the streams, then agenda-setting and finally decision making.

#### *Problem Stream*

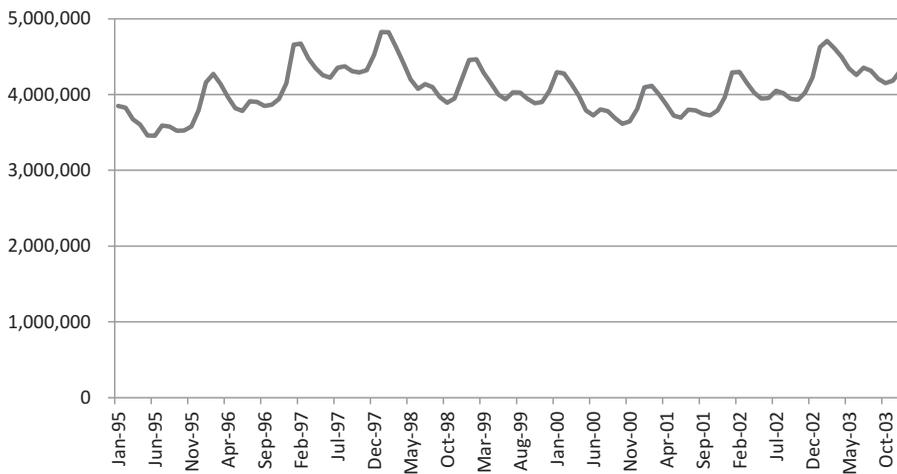
Unemployment was certainly the most important item in the problem stream. While joblessness had increased almost continuously since 1973, the situation became even worse after German unification in 1990 (Figure 1). Thus, in January 1996, for the first time in the Federal Republic's history, more than four million people were unemployed (Figure 2). This figure was alarming for the then-incumbent government of Christian Democrats and Liberals that adopted a number of liberal labor market and welfare reforms in response to the dismal performance.

As these reforms did not have an immediate effect on the labor market, unemployment was also one of the most important issues in the 1998 election campaign. In that campaign, the Social Democratic candidate for chancellor, Gerhard Schröder, promised to reduce the number of unemployed to 3.5 million until the



**Figure 1.** Number of Unemployed in Germany, 1973–2003 (Annual Averages).

Source: <http://statistik.arbeitsagentur.de/Statischer-Content/Statistik-nach-Themen/Zeitreihen/Generische-Publikationen/Arbeitslosigkeit-Deutschland-Zeitreihe.xls>.



**Figure 2.** Number of Unemployed in Germany, 1995–2003 (Monthly Data).

Source: <http://statistik.arbeitsagentur.de/Statischer-Content/Statistik-nach-Themen/Zeitreihen/Generische-Publikationen/Arbeitslosigkeit-Deutschland-Zeitreihe.xls>.

next election, to be held in 2002 (Zohlnhöfer & Herweg, 2014, pp. 101–2). After the Social Democrats had won the election together with the Greens, and Gerhard Schröder had become chancellor, the unemployment figures indeed moved in the direction the government had hoped for: While the number of unemployed stood at an average of 4.3 million in 1998 it had fallen to 3.9 million in 2000. In October 2000, unemployment was down to slightly over 3.6 million, close to the level of 3.5 million envisaged for 2002 (Figure 2). Therefore, the government could hope to reach its target by 2002.

In 2001, however, the economy slowed down and unemployment started to rise again. It thus became unlikely that unemployment would fall to 3.5 million by 2002 (Hassel & Schiller, 2010, p. 17). As a consequence, the chancellor would not be able to keep his election promise. Therefore, the number of unemployed represented a significant problem: Not only did the development of the number of unemployed clearly deviate from what the government wished; at the same time this problem was highly relevant for policymakers electorally. In an issue area which between 60 and 80 percent of the electorate thought belonged to the most important problems of the country,<sup>2</sup> the governing parties failed to fulfill their central election pledge. Therefore, labor market developments put the governing parties' re-election at risk (Blancke & Schmid, 2003, p. 227; Hassel & Schiller, 2010, p. 219; Zohlnhöfer, 2004, p. 124) and should thus have made an opening of a problem window more likely, as hypothesized in hypothesis 1.

### *Political Stream*

While the political stream at some point in the process became ripe according to HHZ's definition, as the government introduced a bill that stipulated the merging of unemployment assistance and social assistance at the (lower) level of the latter (Bundestag Printed Matter 15/1516), it is not obvious whether it was already ripe when the policy window opened in the spring of 2002. As we shall see in this section, many elements of the political stream were opposed to that policy and the heads of the governing coalition had not embraced the proposal of a fundamental reform of benefits for the long-term unemployed when the issue came on the government agenda.

HHZ have hypothesized (hypothesis 2) that governments are more likely to move forward with a proposal if it belongs to an issue area they own, if it is popular, and if major interest groups are unlikely to launch campaigns against it. Most of these conditions were not fulfilled in the case of the Hartz IV legislation. The partial exception is issue ownership: Although the Christian Democrats in Germany are perceived by the voters at least as equally competent as the SPD regarding the creation of jobs, the latter generally also used to be seen as competent.<sup>3</sup> So, one can plausibly argue that the reform under consideration belongs to a policy field the Social Democrats own.

The SPD leadership is unlikely to have perceived the national mood as ripe for far-reaching labor market reforms, however. The key policymakers do seem to have believed that large parts of the press demanded far-reaching liberal reforms. For example, the head of the chancellery, Steinmeier (2009, p. 97), speaks of "radical reform exuberance" in many editorials (cf. also Nullmeier, 2008, p. 160).<sup>4</sup> While this may have pushed policymakers toward reforms, they were clearly aware that these reforms would be unpopular among the electorate, particularly their core electorate. The leader of the SPD's parliamentary party, Franz Müntefering (2008, p. 114), recalls anticipating severe political conflicts over the reforms, while we know from

Schröder's (2006, p. 398) memoirs that although policymakers were surprised just how unpopular their proposals were, they never expected the reform to be popular.

Similarly, the interest group situation was not particularly favorable for the reform, either (for the following cf. Weßels, 2007, pp. 155–60). While employers promoted any reform that would liberalize the labor market and recommodify labor, the trade unions were skeptical of any such reform. Union resistance was highly significant in the political stream for two reasons. First, the SPD, like most Social Democratic parties, had traditionally been very close to the trade unions. In particular, the unions had very close relations with the ministry of labor which gave them substantial leverage over policy in that area. Second, the government had set up an institution called "Alliance for Jobs, Training and Competitiveness," where the chancellor and some key ministers met with the leaders of the most important labor unions and employer organizations on a regular basis to develop a joint strategy to tackle Germany's employment problems. This institution essentially gave unions a veto position over policy. Thus, as long as that informal veto position existed, a policy change was highly unlikely.

So, the elements of the political stream were not particularly conducive to reforms of the labor market. What is more, the SPD, i.e., the party that clearly dominated government policy with regard to the labor market, was internally divided (Zohlnhöfer, 2004). While the so-called "traditionalists" argued for a highly regulated labor market and were not willing to retrench welfare programs to increase employment, the "modernizer" wing argued that an adaptation of the Social Democratic employment policy instruments to new challenges was inevitable. The traditionalist faction dominated labor market policy until 2002. Moreover, the minister of labor and social affairs was occupied with a major pension reform until 2001 and neither had an interest in nor the capacities to produce more liberal or recommodifying reform proposals (interviews BMA 1 and Policy Stream) (cf. Hassel & Schiller, 2010, p. 200) which consequently were not produced by the ministry.

It is thus quite clear that hypothesis 2 does not apply—while the SPD may have owned the issue of employment (although clearly not exclusively), the proposal was unpopular and it was likely that interest groups would launch campaigns against it. Nonetheless, hypothesis 3 may be relevant according to which a government may embrace a proposal against substantial resistance from interest groups and against the national mood if it believes that the proposal may help it to deal with a problem that endangers its re-election. As described above, that was indeed the case. The government feared that its lack of success in the fight against unemployment—by far the most salient issue at the time—would make winning the next elections unlikely. That was the reason why the government—and the chancellery rather than the labor ministry—believed something needed to be done to credibly signal that the government intended to seriously fight unemployment. As Peter Hartz (2007, p. 206) recalls: "I increasingly became aware that I was installed in order to help him [Schröder] win the election."

As we would expect given unclear policy preferences, the SPD leadership was not particularly picky with regard to the content of the proposals as long as they could credibly be sold to the voters as dealing with unemployment. Peter Hartz

(2007, p. 205) explains: "Schröder absolutely wanted to do something, he was desperately looking for solutions, as unemployment kept on increasing." In an interview with *Der Spiegel* (26/2002, p. 36) he adds that Schröder had asked the members of the Hartz commission to suggest the solutions they found promising. It is clear from these quotations that while the chancellor thought he needed to do something he had no clear preferences regarding what he should do. In sum, while the government had not embraced any particular policy project, it was highly open toward any policy that promised to help it with the electorally dangerous unemployment issue. So, hypothesis 3 at least in part is corroborated.

### *Policy Stream*

The basic idea of merging the two different welfare systems and making their receipt less attractive was around since at least 1998 (for the following Fleckenstein, 2008, pp. 183–86; Hassel & Schiller, 2010, pp. 185–95, 212–17). Although different concepts were suggested to the public by various policymakers, the actual softening-up took place in a small working-group that was not at all in the public spotlight. In 1999, a head of division of the ministry of labor, Bernd Buchheit, put together a group of policy experts from the federal ministry of labor, several state ministries of labor, some municipalities (which are in charge of social assistance), the Federal Labor Office, and the social partners.<sup>5</sup> Interestingly, the working-group did not meet in the ministry itself, but rather at an influential think tank, the Bertelsmann Foundation. The reason was to keep a low public profile. The confidentiality of the discussions in turn was expected to allow participants to discuss innovative reform options frankly without the need to justify the positions taken in the discussions to the organizations they represented.

As should be expected from Kingdon's (1984) description of the dynamics in the policy stream, the discussion in the working group was "characterized by deliberation" (Fleckenstein, 2008, p. 184). Moreover, learning from experiences abroad played a substantial role. In the end, the labor market experts could reach an agreement on a number of important points, including the very question whether merging of the two programs was a good idea, but also regarding the criteria for eligibility for the new benefit, the possibility of sanctions in cases of noncompliance and a number of other questions (Hassel & Schiller, 2010, p. 215). More importantly, there even emerged a consensus regarding the level of the new benefit, although this agreement did not include the representatives of the trade unions (Fleckenstein, 2008, p. 184). These proposals can also be seen as fulfilling most of the selection criteria. As they were worked out mainly by public servants and labor market practitioners and the reform was intended to reduce spending, technical feasibility and costs were never an issue. The wide agreement in the working group also underlined that value acceptability was generally present. Given that key policymakers of different parties had declared their support of a merging of the two benefits (at least in principle), receptivity must also be perceived as given. Only with regard to public acquiescence, the picture is not entirely clear, but this question did not figure prominently at this

stage in the policy process. Therefore, we can conclude that hypothesis 5 according to which a proposal must fulfill the survival criteria to gain agenda status holds for the present case.

Interestingly, political parties did not play a prominent role in the policy stream (Fleckenstein, 2008, p. 183). It was rather civil servants from the federal ministry of labor, particularly Buchheit, aided by the new head of the Federal Employment Agency, Gerster, who engaged in policy entrepreneurship, put together the working-group, and presented the proposal on different occasions to different actors (Hassel & Schiller, 2010, pp. 222–23). Given these individuals' direct access to the key policy-makers, the parties, including the governing parties, were essentially by-passed and party experts outside formal government functions did not play any role before the proposal had reached the government agenda. Thus, no relevant political party had formally adopted the proposal to merge unemployment assistance and social assistance at the level of the latter before the issue was already on the agenda, although individual politicians of most parties had signaled that they would support the idea in general (Hassel & Schiller, 2010, p. 195). In accordance with hypothesis 4 about the necessary compatibility of proposals with the basic party ideology, however, the CDU/CSU and FDP had an easier time accepting the proposal than the SPD, as some factions of the latter found a reduction of benefits for the long-term unemployed impossible to reconcile with the party's programmatic stance (cf. SPD, 2003b, p. 36, 75, 80–82).

### *Agenda Window*

The agenda window opened as a scandal regarding wrong placement statistics of the Federal Labor Office became known in February 2002. In a report, the Federal Court of Auditors made it clear that substantial organizational problems existed in the implementation of labor market policy (Frankfurter Allgemeine Zeitung, February 6, 2002; Der Spiegel July 2002, pp. 30–31). This scandal can be seen as a focusing event opening up an agenda window in the problem stream.

Nonetheless, this agenda window was not an obvious one as the problem of wrong placement statistics would not have necessitated a substantial reform of labor market policy, let alone a merging of the two benefits. Rather, Chancellor Schröder and the head of the chancellery, Steinmeier, realized that this scandal could be employed as a policy window for labor market reform and actively engaged in political entrepreneurship (Interview Policy Stream) (cf. Hassel & Schiller, 2010, p. 211). Given the developments in the problem stream (i.e., given that he would not be able to reduce unemployment to the envisaged level by the next election) the chancellor desperately needed to prove his government's willingness and ability to implement reforms if he wanted to win the upcoming election. As it was highly unlikely that such a reform would be worked out in the responsible ministry, he appointed an expert commission chaired by Volkswagen manager Peter Hartz. The commission's composition did not mirror Germany's sectoral corporatism: Of the 15 members of the commission only two were union representatives and one came from an

employer association. Two further commission members were social scientists, two were SPD politicians, one came from the labor office, and the rest came from management consultancies and large companies (Hassel & Schiller, 2010, p. 221).

At least officially, this commission was set up to work out proposals for a reorganization of the Federal Labor Office only (cf. the commission's mandate: Hartz-Commission, 2002, pp. 12–16). When the experts reported back in August 2002, however, they came up with more ambitious reform proposals to improve the overall employment situation in Germany. There is no doubt in the literature that this expansion of the commission's mandate was encouraged by the chancellor for whom the commission killed two birds with one stone: On the one hand, the bad labor market performance put the governing parties' re-election at risk and the government needed to document its will to fight unemployment if it still wanted to win the next election. The proposals of the Hartz commission, which were presented only a few weeks before the general election, were of particular importance in this respect (cf. Hartz, 2007, p. 206). On the other hand, the commission allowed the chancellor to circumvent the ministry of labor and the Alliance for Jobs and thus also the veto positions of the trade unions and the SPD's traditionalist wing. Thus, the commission put a proposal on the agenda that would not have been tabled had the ministry of labor not been circumvented (Interview Policy Stream, Interview BMA 2). The chancellor, therefore, seized the opportunity and immediately promised that he would adopt the reform proposals "one-to-one" should he win the election.

With regard to what would become Hartz IV, the commission report was very sketchy and the proposals with regard to the merging of the two benefits were far less substantial than what the working-group at the Bertelsmann foundation and even the Hartz commission's own working-group on the subject (to which Buchheit and Gerster belonged as guests) had discussed (Interview BMA 2) (Fleckenstein, 2008, p. 185). This was mainly due to the opposition of some commission members including the union representatives against a shortening of the duration of unemployment benefit entitlements and the reduction of the level of unemployment assistance (Interview Policy Stream) (cf. Hassel & Schiller, 2010, p. 226). Nonetheless, from the perspective of the policy entrepreneurs in the ministry of labor, the key issue was to get the proposal of a merger of the two benefits into the commission report—in whichever form. One of my interviewees argued that the inclusion of the proposal to merge unemployment and social assistance in the report of the commission was the "starting shot" that made it possible for the civil servants from the labor ministry to get the proposal on the government agenda (Interview BMA 2).

Does the way agenda-coupling took place corroborate hypothesis 6 according to which agenda change becomes more likely if a policy window opens, the streams are ripe, and a policy entrepreneur promotes the agenda change? In many respects, this is indeed the case. There is broad agreement in the literature that the placement scandal opened a problem window for different kinds of labor market reforms (e.g., Fleckenstein, 2012, p. 859; Hegelich et al., 2011, p. 38; Ruddat, 2011, p. 227; Schmid, 2007, p. 271) and the policy entrepreneurs, most importantly the civil servants from the labor ministry, took the chance and made sure that their pet solution would be included in the report of the Hartz commission.

There is one peculiarity, however, that needs to be mentioned regarding the streams. While the problem stream clearly was ripe and a viable alternative existed, it is less clear whether the political stream was ripe when the window opened. As discussed above, this was only the case to the extent that the government was looking for a solution to the problem of unemployment, but it was originally not specifically interested in the proposal that was finally adopted. Although this does not correspond to HHZ's definition of ripeness of the political stream, it fits nicely with the overall logic of the MSA, namely that policymakers do not have clear preferences for a particular policy, even when the policy window opens, but that they only embrace one (or more) proposals when the window is open.

### *Decision Window*

The report of the Hartz commission and the election promise of the chancellor to adopt the reform proposals one-to-one had put a comprehensive labor market reform in general and the issue of merging the two benefits in particular on the agenda. The remaining task for the political entrepreneurs was to get their proposals adopted. Given a Social Democratic parliamentary party that was in part reluctant to accept the proposals, a narrow majority in the first chamber of parliament and a second chamber that was dominated by opposition parties, this was certainly no easy task. As a matter of fact, it would have been an impossible task for the original policy entrepreneur alone. Indeed, political entrepreneurs took over from Buchheit once the issue was on the agenda. Most importantly, the chancellor had committed himself to the proposal. By announcing to adopt the proposals of the Hartz commission one-to-one immediately after they had been presented in August 2002—only weeks before the general election was due—the chancellor put immense pressure on his own party (as well as his coalition partner and the trade unions) to follow suit. The SPD desperately needed to prove their competence in fighting unemployment to win the election and the Hartz recommendations provided the party with this opportunity. Given that the election was imminent, internal conflicts about labor market policy would have had a devastating effect on the party's competence rating and thus also on its election result which was not in the interest of any Social Democrat (Blancke & Schmid, 2003, pp. 229–30; Fleckenstein, 2008, p. 181). Union leaders were not at all interested in a change of government, either, and thus also acquiesced to the proposals, at least as long as the government fought for its re-election.

After the election, which the government narrowly won, the acquiescence of the trade unions and the SPD's left wing began to vanish. At the same time, the Hartz commission's proposals for merging unemployment and social assistance were cursory. Therefore, relevant decisions—in particular concerning the level of the new benefit and the duration of regular unemployment benefits—still needed to be taken. While the relevant experts had reached near-consensus here, these proposals were still controversial in the SPD and with the trade unions. So, why did Schröder not give up the idea—particularly as the election was over? Why didn't the election victory close the window for the Hartz IV reform?

According to their memoirs, the impression of a continuing deterioration of the economic situation that would become a severe political liability during the forthcoming term prevailed among the key actors. The head of the chancellery, Steinmeier (2009, p. 97), remembers that Schröder and some key actors from the SPD concluded in December 2002: "We are not going to make ends meet like this." And, Franz Müntefering (2008, p. 118), leader of the parliamentary party, recalls: "While preparing for the new term we realized that the decreasing or small economic growth would become a serious threat for government finances. My impression was: This thing is going to be politically tight, extremely tight. We talked about the fact that we cannot go on like that." It is very clear from these quotes that developments in the problem stream kept the window open but that these developments became relevant for the policymakers only because they were politically—that is, electorally—relevant.

This leaves us with the question why Schröder, Steinmeier, and the people around them opted for the merger of the two welfare benefits which they knew were controversial in their party as well as among the voters? Why didn't they pick other policies? The main answer is that other policies had been tried but had failed to reduce unemployment (Meyer, 2007, p. 88). In the early days of the red-green government, minister of finance, Oskar Lafontaine, had tried a Keynes-inspired spending expansion without much success (Zohlnhöfer, 2004), while the extensive use of traditional active labor market policy instruments (particularly job-creation measures) turned out to be ineffective (Schmid, 2007, p. 276) and early retirement schemes increased nonwage labor costs further, which themselves led to higher unemployment. Therefore, new instruments had to be tried, if the government wanted to convince voters that it was serious about fighting unemployment. Given the discussion in the policy stream, the experience of other countries like Denmark and the Netherlands and the recommendations of the European Employment Strategy, activating labor market policy was the most obvious policy to implement (cf. Zohlnhöfer & Herweg, 2014, pp. 107–9). That the merger of the two benefits was chosen as one of the relevant measures (among others that were adopted in the first two Hartz laws in particular), was mainly due to the policy entrepreneurs in the ministry of labor.

But how did the political entrepreneurs organize the necessary majorities? As can be expected from HHZ, they used several instruments to get their proposal adopted. With regard to the coalition parties themselves, and the reluctant left wing of the SPD in particular, the most important instrument was the centralization of the policy process that was already evident when Schröder unilaterally announced that the proposals of the Hartz Commission be adopted one-to-one. After the election, Schröder continued the centralization of policymaking by appointing Wolfgang Clement as the minister of labor who then became the major political entrepreneur for the adoption of the reform (Interview BMA 1). Clement, Steinmeier, Schröder, and a very small working-group in the chancellery and the ministry of labor essentially worked out the still controversial details of the reform (Hassel & Schiller, 2010, pp. 248–52; Korte, 2007, pp. 174–77)—without any substantial consultations with the SPD (parliamentary) party or the trade unions. The chancellor even terminated the official talks of the Alliance for Jobs on the grounds that they were not productive

and the government therefore needed to act unilaterally (Schröder, 2006, pp. 90–91). When the chancellor, in a government declaration in March 2003, finally presented his plans with regard to the merging of the two benefits, the shortening of the entitlement period for the unemployment benefit to 12 months and the reduction of the level of the new benefit to the level of social assistance, it caught the Social Democrats completely off guard (Nielauß, 2011, pp. 179–81).

The SPD dissenters in turn started an inner-party referendum against the proposal and the party leadership had to concede an emergency party conference where the reform proposals were discussed controversially. In the end, however, up to 90 percent of the delegates approved of the government's proposals (SPD, 2003b, p. 111). This result does not necessarily indicate near unanimous consent for the reform in the party, however. Rather, Schröder had browbeaten the delegates by threatening to resign as chancellor and party leader should the party conference vote against the reform (Frankfurter Allgemeine Zeitung, June 2, 2003; Süddeutsche Zeitung, June 2, 2003)—an instrument he continued to use to put the SPD parliamentary party on the right track when the proposal was voted on in parliament.

At the same time, the political entrepreneurs also resorted to other instruments. On the one hand, they offered package deals: In return for the support of the party conference for the proposal, the party leadership promised to seriously consider the reintroduction of a wealth tax and the introduction of a penalty for companies that refuse to offer apprenticeship training positions (SPD, 2003a, pp. 20, 29).<sup>6</sup> On the other hand, the policy entrepreneurs conceded some minor concessions to the internal opponents of the proposal during the parliamentary deliberation of the bill. For example, the tightening of the criteria under which recipients of benefits could refuse a job was scaled back slightly as were some sanctions for young unemployed (Bundestag printed matter 17/1528, pp. 173–74, 186–87). Hence, the coalition secured majorities in the roll-call votes on the labor market reform in the Bundestag with only one green MP abstaining (Parliamentary Debates of the Bundestag, 15th legislative period, session 67, October 17, 2003, pp. 5799–801).

The political entrepreneurs also needed to secure the approval of the Bundesrat, which was controlled by the opposition. It was quite evident that the instruments the political entrepreneurs had used to get the consent of the coalition parties would not help with regard to the Bundesrat. The chancellor could neither hope to impress the opposition with his threat to resign nor were the amendments adopted during the deliberations in the first chamber attractive for the bourgeois parties controlling the Bundesrat, which demanded more far-reaching rather than less far-reaching reforms. At the same time, the opposition was divided as to how to respond to the government's proposal (Saalfeld, 2006, p. 261): While some opposition leaders favored a blockade to oust the government as soon as possible, others believed that the proposals represented an opportunity to get necessary but unpopular reforms out of the way before returning to government (Interview CDU/CSU parliamentary party). As the issue of fighting unemployment was highly salient, this disunity allowed the political entrepreneurs to engage in manipulation. Therefore, they kept reminding the Bundesrat majority (and the public at large) that the labor market desperately needed to be reformed to reduce unemployment (Clement, 2003, p. 407; cf.

Saalfeld, 2006, p. 259). The worry that a blockade would be perceived by the voters as deteriorating the unemployment problem is therefore likely to have strengthened the cooperative wing.

Moreover, the political entrepreneurs once again had to make concessions, this time to win the Bundesrat's support. Interestingly, as a result of the negotiations between the governing coalition and the opposition leaders controlling the Bundesrat, most of the concessions made to the labor wing of the SPD parliamentary party were revoked.<sup>7</sup> Not surprisingly therefore, the compromise between the government and the opposition parties frustrated a number of SPD MPs, some of whom voted against the compromise proposal in the Bundestag's final vote on the reform as a consequence. This did not block the bill, however, as the opposition parties accepted the compromise and thus voted for it (Parliamentary Debates of the Bundestag, 15th legislative period, session 84, December 19, 2003, pp. 7389–91). Moreover, by negotiating all relevant bills of his "Agenda 2010" reform package simultaneously, Schröder was able to strike deals with the opposition across very different issue areas, most notably including tax policy (Saalfeld, 2006, p. 259).

The decision-making process thus clearly is in line with hypothesis 8a, which posits that policy adoption is more likely if the proposal is put forward by political entrepreneurs who hold an elected leadership position. Only the head of government was able to centralize the decision-making process to the extent that could be observed and to browbeat his own party into a reform it was reluctant to adopt. Similarly, the notion that a political entrepreneur needs to engage in actively manufacturing a majority if majorities are not forthcoming finds strong support in the case study. The political entrepreneur employed a number of the instruments HHZ hypothesized, above all the granting of concessions (to the left wing of the SPD as well as to the Bundesrat) and package deals (in particular with the SPD). At the same time, a further instrument for getting reforms adopted could be observed in this case study, namely the remarkable centralization of the decision-making process by the political entrepreneurs.

Quite surprisingly, hypothesis 9 according to which the policy adopted differs significantly from the original proposal if there are other veto actors or powerful interest groups campaign against the proposal cannot be corroborated. Both conditions were present in the case of the Hartz IV legislation: the Bundesrat possessed veto power and the trade unions were strongly opposed to the policy and publicly campaigned against it. Nevertheless, the substantial (as opposed to organizational) content of the reform was hardly changed during decision making. This was due to the countervailing interests of the Bundesrat majority on the one hand and the left wing of the SPD on the other.

## Conclusion

This article has contributed to the literature in two ways: Empirically, an explanation for the Hartz IV legislation has been provided that takes into account seemingly incompatible aspects of the policy process. While previous research has pointed to most of these aspects, these pieces of the overall puzzle have not yet been

put together in a single framework. This article, however, has shown that the MSA is able to accomplish this task. Indeed, the assumptions upon which the MSA is built held for the case under investigation, as Fleckenstein (2012, p. 849) observes: “policy-makers were confronted with a great deal of uncertainty about their policy preferences and viable policy alternatives.” Moreover, the policy stream in the Hartz IV case looked exactly as we would expect from Kingdon’s work and the solution regarding the merger of the two benefits as well as many of the details of the reform were worked out before the problem came on the agenda. While the role of what the MSA calls the policy-community has been accounted for in previous research on the role of ideas in policymaking, such an explanatory approach cannot by itself explain why policymakers took up these ideas. In contrast, an MSA perspective is extremely fruitful in this respect as it provides concepts (namely policy windows and coupling) that allow analyzing when and how these policy proposals are adopted by policymakers. Indeed, the case study evidences the important role of policy windows for giving policy entrepreneurs the opportunity to get their favored policy on the agenda—and also documents that precisely at these points in time policymakers start looking out for solutions.

Theoretically, the article has shown that the extensions suggested by HHZ prove to be useful in many ways. Most importantly, HHZ’s suggestion to adapt the MSA to the decision-making stage of the policy-cycle by distinguishing between agenda- and decision-coupling turned out to be particularly helpful for the case study. While MSA does seem useful to explain both agenda setting and decision making, the processes are rather different. Notably, while the role of the entrepreneur is important in both coupling processes, it differs insofar as the policy entrepreneur (during agenda-coupling) works out a viable alternative and brings it to some officials’ attention. In contrast, the political entrepreneur (during decision-coupling) engages in looking for majorities, brokering compromises, and striking package deals. These differences make the analytical distinction between the two windows important.

The case study has also supported the notion that problems are more likely to become relevant if they put the government’s re-election in danger—the SPD did not adopt significant labor market reforms during their first term despite a high level of unemployment until it became clear that they would miss their self-set target in the most important policy field. Finally, the operational definitions and hypotheses that HHZ put forward allow for a much more rigorous empirical analysis and make simple story-telling much more difficult than the original formulation of the MSA with its florid language and lack of precise concepts. As a consequence, it was possible to demonstrate that some of HHZ’s hypotheses were not corroborated in the case study. This is an important step forward for MSA scholarship—because if hypotheses can be disconfirmed, those that are corroborated provide substantial explanatory value-added.

Nonetheless, this case study has also pointed to some limitations and problems of the MSA and its adaptation by HHZ. Surprisingly maybe, one of the major ways HHZ try to adapt the MSA to parliamentary systems, namely the role of parties in the policy stream, did not turn out as expected: The policy experts of the SPD were essentially excluded from the policymaking process, rather than being an integral

part of it, as expected by HHZ. This finding may, however, not be typical for policy-making processes in parliamentary democracies, but could be the exception rather than the rule. The reason is that the exclusion of the SPD's policy experts was due to the deliberate attempt of the policy and political entrepreneurs to introduce new ideas from outside the neo-corporatist negotiation system into labor market policy which they expected would be blocked if the party's policy experts had a say in the reform (Saalfeld, 2006, p. 256).

Finally, one general—and very important—point concerns the question of when the political stream can be considered ripe. This is quite difficult to define because what is necessary at the agenda-setting stage is the receptivity of some key political actors who become interested in the proposal, e.g., because it is perceived to solve a relevant problem. What is not necessary to render the political stream ripe at the agenda-setting stage, in contrast, is that the necessary majorities in the political system are already forthcoming. As the case study has shown, the necessary majorities may well need to be organized as late as in the decision making stage—and it is certainly possible that political entrepreneurs fail to form majorities for policy proposals that made it onto the agenda! This means that HHZ's operational definition of the political stream being ripe is too strict. Further research is thus needed to provide a more accurate definition of the ripeness of the political stream.

Empirically, this study, like almost all MSA applications, focused on a single (although certainly important) case. While case studies are useful tools in many respects, their weaknesses regarding generalizability are equally well-known. Therefore, while we (hopefully) have a better understanding of how the Hartz IV reform came about from this article, it does not constitute a test of the MSA or HHZ's adaptation thereof, at least not in a strict sense. What Multiple Streams scholars thus should seek in the future are ways to apply the framework consistently to a larger number of—ideally very similar—cases (e.g., legislation in an issue area hit by an external shock in German Länder or American states). The results of such an endeavor could then be coded and used to apply more formal methods, for instance Qualitative Comparative Analysis or Event History Analysis, to explain success (and lack thereof) in agenda- or decision-coupling in a more general fashion.

Theoretically, HHZ provide an important step in the right direction, but it is not the last word in this regard, as has become clear regarding the ripeness of the political stream, for example, that needs to be slightly reconceptualized. Furthermore, HHZ's work can be expanded by integrating further important elements of the policymaking process into the MSA. The authors themselves have recently proposed a way how formal political institutions can be integrated into the MSA by employing the distinction between agenda- and decision-coupling (Zohlnhöfer, Herweg, & Huß, forthcoming). From the case study on the Hartz IV reform, the integration of party cohesion and coalition governance into the MSA emerged as a further desideratum.

As this article has shown, the MSA is an extremely helpful lens to analyze reform processes as it provides insights other theoretical approaches are unable to provide, not least by integrating very different, sometimes seemingly incompatible, aspects of the process. To fully exploit the explanatory potential of the framework, however, it is important to continue to theoretically refine it and improve its

empirical applicability. As this study has shown, a dialogue between conceptual work and empirical application can help further improve our understanding of policy processes from an MSA perspective.

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### Notes

1. I thank one reviewer for drawing my attention to this point.
2. Data for 2002 according to Forschungsgruppe Wahlen: Politbarometer at <[http://www.forschungsgruppe.de/Umfragen/Politbarometer/Langzeitentwicklung\\_-\\_Themen\\_im\\_Ueberblick/Politik\\_II/9\\_Probleme\\_1\\_1.xlsx](http://www.forschungsgruppe.de/Umfragen/Politbarometer/Langzeitentwicklung_-_Themen_im_Ueberblick/Politik_II/9_Probleme_1_1.xlsx)> (January 1, 2015).
3. [http://www.forschungsgruppe.de/Umfragen/Politbarometer/Langzeitentwicklung\\_-\\_Themen\\_im\\_Ueberblick/Wirtschaft\\_und\\_Soziales/15\\_Kompetenz\\_Arbeit\\_1.xlsx](http://www.forschungsgruppe.de/Umfragen/Politbarometer/Langzeitentwicklung_-_Themen_im_Ueberblick/Wirtschaft_und_Soziales/15_Kompetenz_Arbeit_1.xlsx) (June 3, 2015).
4. All translations from German are the author's.
5. A list of the participants can be found in Bertelsmann Foundation (2002, p. 14).
6. Both projects eventually failed to make it into the statute book (Zohlnhöfer & Egle, 2007, p. 14).
7. Moreover, a compromise about who is responsible for long-term unemployed persons—the Federal Labor Office or the municipalities—was found. In contrast to the more substantive issues of benefit levels, entitlement periods and conditions under which a job offer could be refused, the government was not able to get its favored alternative adopted in this regard.

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