

Protecting Outsiders? Corporatism and the Dualization of Unemployment Protection in Germany and Austria

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Recent research has found that much of the social protection retrenchment since the early 1990s has been targeted at workers with low or instable incomes, resulting in a 'dualization' of social protection. However, little is known about the causes for cross-national variation in the way that different welfare states have reformed unemployment protection for these 'labour market outsiders'. The article sheds light on the potential causes for this variation by considering the cases of Germany and Austria, two countries that have diverged markedly in their reforms of unemployment protection for non-standard workers. Based on a most-similar-systems design and an analysis of the reform trajectories of the two countries, the power of unions to influence the policy process via corporatist institutions and via their ties to political parties is identified as an important factor in this divergence—one that has received surprisingly little attention in the dualization literature thus far.

Key words: Corporatism, non-standard work, dualization, new social risks, labour market outsiders, unemployment protection

Introduction

Since the early 1990s, the incidence of part-time, fixed-term or underpaid work has increased significantly in many advanced economies (Schulze Buschhoff and Protsch, 2008). The rise of this 'non-standard work' has constituted a formidable challenge, especially for the so-called Bismarckian welfare states that have traditionally relied on contributory unemployment insurance schemes as the main means of unemployment protection. Because these schemes provide benefits based on, and in proportion to, the contribution records of individual workers, people in non-standard forms of employment—many of whom fail to accrue strong contribution records owing to unstable or low incomes—are at risk of either receiving only very low insurance benefits or of having to rely on the considerably less generous schemes of unemployment assistance or social assistance (Clasen and Clegg, 2006, p. 195). This risk has been identified as one of the main 'new social risks' that have emerged with the shift from industrial to post-industrial economies (Taylor-Gooby, 2004, p. 19).

Recent research has found that, instead of strengthening social protection for people with low or instable incomes in response to the emergence of this new social risk, many welfare states have retrenched social protection for this group (Emmenegger et al., 2012; Rueda, 2007). This is said to have led to a 'dualization' of social protection that has widened the gap between the social security of people in standard employment and those in non-standard employment. However, there is

considerable cross-national variation in how different welfare states have reformed unemployment protection for non-standard workers. The causes for this variation are still poorly understood.

This article sheds light on the potential causes for cross-national differences in the reform of unemployment protection for non-standard workers by comparing the reform trajectories of Germany and Austria since the early 1990s. Germany and Austria have been selected as country cases, since they share many characteristics commonly highlighted as determinants of social protection dualization in the existing literature, yet differ in how they have reformed unemployment protection for non-standard workers since the early 1990s. While reforms in Germany focussed on retrenching unemployment protection for workers with low contribution records (Palier and Thelen, 2012), reforms in Austria were more balanced in their effects on the level of unemployment protection for workers with low and high contribution records (Obinger et al., 2012). This divergence is puzzling, given the otherwise strong similarity of the two welfare states, notably their Bismarckian structure of unemployment protection.

The first section of the article outlines the parallel structure of unemployment protection in Germany and Austria in the early post-war era and reviews the divergent reform trends in the two countries since the early 1990s.¹ The second section discusses different potential causes for the divergent reform trends in Germany and Austria. Sections three and four provide an analysis of one critical policy reform in each of the two countries. The article concludes that the difference in the power of Austrian and German unions to influence the policy process through corporatist institutions and via their ties to political parties is likely to constitute an important factor in the divergence in reform paths in the two countries. This finding complements the extensive literature that has emphasized the role of union preferences with regards to unemployment protection of different groups of workers (see, e.g., Davidsson and Emmenegger, 2012), but has largely overlooked the substantial cross-national differences in the extent to which unions can translate these preferences into policy reform.

Unemployment protection in Germany and Austria

In the early post-war era, the system of unemployment protection in Germany and in Austria was comprised of three schemes: unemployment insurance, unemployment assistance, and social assistance. In both countries unemployment insurance (UI) benefits were paid conditional on, and in proportion to a worker's contribution record. In Germany during the early 1970s eligibility for UI benefits required an insurance record of at least six months within the three years prior to unemployment. Due to this relatively low contribution requirement and the high prevalence of standard work during this period, the share of the labour force covered by this scheme was about 75 per cent (Scruggs, 2004). In Austria eligibility for UI benefits required individuals to accrue an insurance record of 13 month within the two years prior to unemployment and was thus more

¹ This overview is based on the coverage of German reforms by Steffen (2011), Clasen (2005), Bleses and Seeleib-Kaiser (2004), Picot (2009), Hinrichs (2010) and Oschmiansky (2010), and of Austrian reforms by Obinger et al. (2010), Obinger and Tállos (2006), Unger (2001), and Fink (2003, 2008).

restrictive than in Germany. Nevertheless, the share of the labour force covered by this scheme was high at about 68 per cent, albeit somewhat lower than in Germany (*ibid.*). Given that the majority of the work force in Germany and Austria was covered by unemployment insurance, the other two schemes—unemployment assistance and social assistance—were designed mainly as safety-nets of last resort. Unemployment assistance (UA) in both countries was available to those whose contribution record did not suffice to entitle them to insurance benefits or who had exhausted their entitlement to them. UA benefits were earnings-related (at a lower level than insurance benefits), potentially available indefinitely, and conditional on a proven lack of other financial means. Social assistance (SA) benefits were flat-rate, considerably lower than UA benefits and means-tested. SA benefits served mainly to provide basic assistance for those who were unable to work. While all unemployment protection schemes were regulated at the national level in Germany, in Austria only UI and UA were nationally regulated and SA was regulated semi-autonomously at the provincial level, resulting in different benefit levels and conditions for eligibility across the different provinces.

While Germany and Austria were characterized by very similar systems of unemployment protection during the early post-war era, the two countries differed in how they reformed their respective systems of unemployment protection since the early 1990s. In Germany the labour market dualization arising from the growth of non-standard work was reinforced by reforms that retrenched the unemployment protection of workers with low contribution records, thus leading to a process of *sharpened dualization* (see, e.g. Palier and Thelen, 2012). In contrast, reforms in Austria were more balanced in their effects on the level of unemployment protection for workers with stable and unstable work histories, leading to what has been referred to as process of *smoothed dualization* (Obinger et al. 2012, p. 185).

Granted, since the early 1990s, reforms of unemployment insurance in Germany and Austria have been alike to the extent that in both countries the net income replacement rate was reduced and the suitability criteria of job offers that UI recipients are required to accept were expanded. Moreover, in both countries UI was made obligatory for the ‘economically dependent’ self-employed and became an option available to other groups of self-employed (even though the conditions for opting into UI were set to be more inclusive in Austria than in Germany). The two countries differed, however, in how they redefined the contribution requirements for UI benefit receipt. To the disadvantage of workers with discontinuous work biographies, in Germany the period in which workers could accrue the one-year contribution record required for UI benefit receipt was shortened from three to two years with the Hartz III reform that came into effect in 2004. Moreover, the exemption for seasonal workers that only required them to accrue half a year (instead of one year) of contributions in order to be eligible for UI benefit receipt was abolished with the Hartz III reform. In Austria, by contrast, contribution requirements were relaxed for low income workers, as workers with earnings up to €1,100 per month were exempted from contribution payments, the contribution rate of workers with earnings between €1,100 and €1,350 per month was reduced, and the required contribution period was shortened from one year to 20 weeks for young people under 25 years. This high inclusiveness of UI in Austria relative to the

German UI is reflected in that 70 per cent of the unemployed in Austria received UI benefits in 2010, compared to only 35 per cent in Germany.²²

Although less drastic than the divergence of reforms of unemployment insurance, reforms of unemployment assistance have also diverged between Germany and Austria since the early 1990s. While in the early 1990s the general UA replacement rate was lowered in both countries, in Germany a further annual three per cent reduction of benefits was introduced for claimants who had previously received UI and the maximum period for receiving UA was limited to one year for UA claimants who had not previously received of UI. In 2000 this group was completely excluded from receiving UA benefits in Germany. The German Hartz IV reform package that came into effect in 2005 then abolished earnings-related UA altogether, transferring beneficiaries to a new assistance scheme, Arbeitslosengeld II (ALG II). ALG II provided flat-rate, means-tested, tax-financed assistance at about the level of the former social assistance scheme, thus effectively removing the second pillar of earnings-related UA from the three-pronged post war system of unemployment protection. Further worsening the position of the unemployed who lacked access to UI, the Hartz IV reform abolished the right of UA recipients to decline job offers that paid less than the benefit level of UA or the wage determined by collective wage agreements.

In Austria UA was made more inclusive since the early 1990s and despite the introduction of a cap on benefits it remained more generous than the German ALG II. Partners who had hitherto been effectively excluded from receiving benefits on the basis of their spouse's income became eligible for benefit receipt. Furthermore, the eligibility of immigrants for UA was extended in a series of reforms in the early 1990s. Relativizing these expansive trends, a cap on UA benefits at €872 per month after the first six months of benefit receipt was introduced in 1996. While this reform brought the level of Austrian UA closer to the German ALG II, it is important to note that it only applies after the first half year of UA benefit receipt, during which UA claimants continue to receive earnings-related benefits. In contrast to the removal of the right for German UA claimants to decline job offers based on pay, comparable punitive activation measures in Austria remain largely absent and UA claimants are still permitted to decline job offers that pay less than the limit for marginal work (approximately €410 per month).

Social assistance reform in Germany and Austria also diverged since the early 1990s. In Germany, SA has been consistently cut back by modifying the formula for calculating benefits in 1990, 1993 and 1996. Moreover, in 1993 the means-test for SA receipt was reinforced and sanctions for rejecting job offers were tightened. The government also introduced obligatory community work to be remunerated at rates below the standard wage for a given sector. Work requirement were then further strengthened through the adoption of so-called 'One-Euro Jobs' with the Hartz IV reform in 2005.

By contrast, in Austria SA was substantially expanded and no punitive activation measures comparable to those introduced in Germany were adopted. Most notably, in 2010 the Social Assistance Reform Law replaced the social assistance schemes that had been administered at the provincial level with a new SA scheme at the national level, the 'Bedarfsorientierte Mindestsicherung'. Besides the homogenization of benefit levels and eligibility conditions across the

²² Author's calculation based on BMAS (2011), Statistik Austria (2011), OECD (2015).

Austrian provinces, the main differences of this scheme compared to many of the former provincial schemes were higher levels of benefits, particularly for single parents, an increase in the maximum amount of personal savings permitted while receiving benefits, and the abolishment of the rule by which recipients had to repay SA benefits upon becoming employed.

Taken together, the reforms surveyed above show a clear divergence in the reform trends of Germany and Austria since the early 1990s (see Table 1). In short, UI contribution requirements were tightened in Germany, while they were relaxed for low-income workers and young people in Austria; earnings-related UA was effectively abolished in Germany, while it was maintained as a secondary protection scheme in Austria; and SA was substantially retrenched in Germany, while it was expanded in Austria.

— Table 1 —

Comparative analysis: Explaining divergence in unemployment protection

How can we explain the divergent trends of unemployment protection reform in Germany and Austria since the early 1990s? Potential explanatory factors can be divided into structural, political and institutional factors. Relevant structural factors for the reform of unemployment protection are the incidence of non-standard work, the level of unemployment, and the fiscal solvency of the government. Since the incidence of non-standard work has been very similar in Germany and Austria, this factor is unlikely to account for the observed divergence in reform trends between the two countries. Comparable data from 2006 show that about a third of the employable population in Germany and Austria was in non-standard work, with part-time work at 12.9 per cent in Germany and 13.2 per cent in Austria, fixed-term work at 8.9 per cent in Germany and 5.6 per cent in Austria, and self-employment at 7.7 per cent in Germany and 9.1 per cent in Austria (Eichhorst, Marx, and Thode, 2010, p. 13). Interestingly, both short and long-term unemployment have been higher in Germany than in Austria since the end of the second world war. The total unemployment rate was at 3.2 per cent in 1990 and at 4.4 per cent in 2010 in Austria, and at 4.8 per cent and 7.1 per cent in Germany respectively (OECD, 2015). Central government debt has consistently been about 20 per cent higher in Austria than in Germany over the same period (OECD, 2015) thus contradicting the existence of a causal chain whereby lower unemployment in Austria would have put less pressure on the central government budget, which in turn would have facilitated expansionary unemployment protection reform for non-standard workers in Austria, while the fiscal strain would have forced restrictive reforms in Germany.

While structural factors are unlikely to constitute an important factor in the divergence in reform trends, political factors might offer a more plausible explanation. The partisanship of the government in power has been identified as a main cause for cross-national differences in welfare state development (see, e.g., Huber and Stephens 2001). However, in Germany the trend towards retrenching unemployment protection for workers with low or unstable incomes was common to both conservative rule (1990-1998, 2005-present) and social democratic rule (1998-2005), thus making government partisanship an unlikely cause for the divergence reform trends. This

observation is in line with the large body of literature that finds that major political parties generally do not represent the interests of non-standard workers (see, e.g., Rueda, 2007; Kitschelt, 1995). It has also been shown that the position of the dominant political parties towards social protection policy has developed in similar ways in Germany and Austria since the early 1990s (Seeleib-Kaiser et al., 2005; 2008). Particularly the position of the social democratic parties in both countries moved considerably towards the centre and towards a ‘third-way’ approach to unemployment protection (see Seeleib-Kaiser et al., 2005, p. 125-6). However, it is important to note that the social democratic parties in the two countries differed with respect to the over-time change in the strength of their ties to unions, as discussed in further detail below.

Another potential cause of the German-Austrian divergence may be a difference in the policy preferences of unions. Palier and Thelen (2012) contend that, similar to social democratic parties, the prominent labour unions are primarily concerned with the interests of standard workers and only secondarily with the interests of non-standard workers. Recent work by Davidsson (2011) and Clegg (2012) suggests that the preferences of unions on unemployment protection differ across countries according to their role in the administration of unemployment protection, leading to different policy reforms. Other scholars concerned with the dualization of social policy have highlighted the membership structure of unions as the key cause of union preferences (Ebbinghaus, 2006; Bonoli, 2005). With respect to the Austrian case Obinger and colleagues (2012) argue that the balanced unemployment protection reform pattern is related to the encompassing membership structure of the Austrian Chamber of Labour (Arbeiterkammer, AK), which they suggest is reflected in an outsider-friendly policy orientation of this organization relative to labour organizations of other countries. The AK is one of Austria’s two peak labour organizations and membership in the chamber is mandatory for Austrian workers including most non-standard workers. The second body of organized labour in Austria is the Austrian Federation of Trade Unions (Österreichischer Gewerkschaftsbund, ÖGB), in which membership is voluntary and has declined over the past few decades.

While the encompassing membership of the Austrian Chamber of Labour also stands in contrast with the declining membership of the German peak labour organization, the German Federation of Trade Unions (Deutscher Gewerkschaftsbund, DGB), there is little evidence of a strong difference in the preferences of the peak labour organizations in Germany and Austria with respect to the social protection of non-standard workers. To the contrary, unions in both countries appear to have been clear advocates of the improvement of social protection for non-standard workers, as discussed in further detail below. The similarity in the policy preferences of unions in Germany and Austria suggests that the divergent reform trends in the two countries cannot be explained with reference to unions’ policy preferences per se. Instead, as will be argued below, an important factor in this divergence is likely to be the much stronger ability of Austrian unions to influence the policy process relative to German unions, which allows Austrian unions to negotiate reforms that strengthen the unemployment protection of non-standard workers, while German unions lack the necessary political clout to do this.

The need for stronger unemployment protection for non-standard workers has featured prominently on the policy agendas of the peak labour organizations in both Germany and Austria.

In Germany this is most clearly reflected in the DGB's current core policy programme (Grundsatzprogramm), adopted at its 5th Extraordinary National Congress in 1996. This statute devotes an entire section to the issue of changing labour markets and social protection, in which the DGB criticises the fact that the system of social protection is still largely geared towards protecting the workers in full-time, permanent, and well-paid employment and is hence ill-equipped to protect the increasing number of non-standard workers. To remedy this situation, the DGB calls for a renewal of the social protection system and stresses the need to both expand the eligibility conditions of social insurance schemes to cover non-standard workers, and to enhance basic social protection for those workers who are not eligible for insurance benefit receipt (DGB, 1996, pp. 9-10, 23-26). The concern of the DGB with the issue of strengthening unemployment protection for non-standard workers is also reflected in its more recent reports and communications (see, e.g., DGB, 2012b; DGB, 2012c; DGB, 2012d). In a recent communiqué, titled 'Expanding the protective function of the unemployment insurance' (DGB, 2012a, author's translation), for instance, the DGB states that, "since the instability of employment arrangements has increased, unemployment insurance needs to be adjusted accordingly" (p. 3, author's translation). In this piece, the DGB also calls on the government to repeal the Hartz III reform measure that shortened the time frame in which workers can accrue the contribution record required for benefit receipt (Ibid., p. 3-4). As will be discussed in further detail below, the DGB also strongly opposed the abolishment of unemployment assistance and the tightening of work requirements for social assistance recipients with the Hartz IV reform.

Similar to the DGB, the two main Austrian labour organizations, the Austrian ÖGB and the AK, have been strong advocates of the improvement of social protection for non-standard workers. In a section titled 'New labour market – new labour market policy' of its current core policy programme, the ÖGB states that, "because an increasing number of workers, especially women, only find work in non-standard employment arrangements, a modernization of labour market policy to ensure the social security of these workers is needed" (ÖGB, 2009, p. 17, author's translation). This position was also emphasized by the president of the ÖGB, Rudolf Hundstorfer, in his speech on the core policy goals of the organization at its 16th National Congress in 2007 (Hundstorfer, January 2007). Likewise, the improvement of social protection for non-standard workers featured prominently in the core policy programme of the AK adopted at its National Congress in 2009 (AK, 2009, pp. 15-18). The concern of the ÖGB and the AK with the social protection of non-standard workers is also reflected in the organizations' position towards key reforms of unemployment protection, as exemplified by their strong support for the enhancement of basic social protection with the Social Assistance Reform Law in 2010, discussed in further detail below. While conclusive evidence on the policy preferences of political actors is notoriously difficult to identify (see, e.g., Broockmann, 2012), the evidence from the unions' core policy programmes cited above suggests that there are no decisive differences in the policy preferences of the German and Austrian peak labour organizations that could explain the divergence in policy reform between the two countries. Instead, unions' ability to influence policy via their institutionalized role in the policy process and via their ties to the main political parties is likely to constitute an important factor in the policy divergence, as discussed in the remainder of this section.

The structure of the policy process has thus far received little attention in the literature on social protection dualization and welfare state adaptation to new risk structures in labour markets. A notable exception is the work by Clasen and Clegg (2006) in which the authors hypothesize that in countries where the system of unemployment protection is relatively isolated from the influence of government and predominantly under the control of unions and employers, an adjustment of unemployment protection to cover new social risks is unlikely to occur, and vice versa (*ibid.*, pp. 193, 210). Yet, there is little evidence showing that it is indeed governments who strive to adapt unemployment protection to cover new social risks, while unions and employers block such adaptation.

Research on corporatism in Germany and Austria has shown a significant difference in the degree to which unions are able to influence labour market policy (see, e.g., Lehmruch, 1977; 1982; Traxler, 1998; Tálos, 2008). In contrast to the hypothesis presented by Clasen and Clegg, however, it is in Austria, where unions have a stronger role in the policy process, that the unemployment protection for non-standard workers has been strengthened. In Austria the prominent role of the ÖGB and the AK in the policy process has been institutionalized via a regular pre-parliamentary process of tripartite concertation with employers and government representatives (Tálos, 2006, pp. 433-434). Based on this institutionalized influence of unions and employers in the political process, Austria is generally regarded as the prototype of corporatist policy making (e.g., Lehmruch, 1982; Traxler, 1998; Tálos, 2008). This access to the policy process has allowed the ÖGB and the AK to put forward their own reform proposals and to amend draft legislation before its introduction to the parliamentary debate (Tálos, 2006). Furthermore, the regular appointment of worker representatives as members of expert commissions on matters of social and labour market policy has provided an additional channel for unions to influence national policy-making (Tálos, 2006, p. 434). This is exemplified by the strong representation of the ÖGB and the AK on the commission that developed the new national social assistance scheme in 2010 (Otter and Pfeil, 2011, pp. 213-214). Moreover, the institutionalized influence of the ÖGB and AK on policy-making has been reinforced by the organizations' close ties with the Social Democratic Party of Austria (SPÖ) that has dominated Austrian party politics since the early 1970s (Tálos, 2008, pp. 43-44). The aforementioned president of the ÖGB in 2007, Rudolf Hundstorfer, for instance, is also a prominent member of the SPÖ and as such has been appointed as Minister for Labour and Social Affairs in 2008. The strong ties between the SPÖ and the ÖGB and AK is also reflected in the SPÖ's reinstatement and solidification of the role of organized labour in national policy making, after this role had been temporarily undermined by the centre-right ÖVP/FPÖ coalition that was in power between 2000 and 2006 (Pernicka and Stern, 2011, p. 336; Tálos, 2006; Obinger and Tálos, 2006; 2010).

By contrast, the influence of the German unions on national policy-making has been much more limited. This is most clearly reflected in the absence of a strong institutional mechanism for regularly engaging unions in social policy-making at the national level (Lehmruch, 1977; 1982; Wessels, 1999). Although between 1967 and 1976 unions were part of a national tripartite 'body for concerted action' deliberating on national economic and labour market policy together with employer organizations and the government, this body ceased to function thereafter—owing to disagreements amongst the social partners—and has not been successfully reinstated since (Schubert and Klein,

2011). In the early 2000s an attempt at tripartite concertation via an ‘Alliance for Jobs’ between representatives of workers, employers and the government also failed, as the social partners have been unable to reach an agreement on a common reform strategy (Reutter, 2004). Further reinforcing the comparatively weak institutional engagement of the DGB in the national policy process, the indirect influence that German unions have traditionally exerted on policy through their ties to the Social Democratic Party of Germany (SPD) has waned, as their relations have cooled since the early 1990s, partly due to a generational change of politicians in the SPD (Trampusch, 2005; Hassel and Trampusch, 2006). It should be noted that, while the influence of German unions in national policy-making has historically been weak, they have played a strong, yet weakening role in sectoral wage bargaining (Müller-Jentsch, 2011, Ch. 6; Streeck, 2009). While the latter has led many to consider Germany to be a ‘strongly corporatist’ country (Siaroff, 1999), the German blend of corporatism differs significantly from the Austrian, due to the absence of a lasting institutional mechanism for unions to influence national policy-making (Lehmbruch, 1977; 1982).

The marked difference in the influence of unions in national policy-making in Germany and Austria is likely to constitute an important factor in the divergence in unemployment protection reform between Germany and Austria. While the peak labour organizations in Austria were able to translate their demands for better social protection of non-standard workers into actual policy reforms, German unions lacked the necessary political clout to counter the heavy cuts to the unemployment protection of non-standard workers in an era of welfare retrenchment. Instead German unions were forced to concentrate their limited political capital on defending the unemployment protection of their core members—standard workers—while their Austrian counterparts used their institutionalized influence in the policy process and their close ties to the social democratic party to defend the social protection of both labour market insiders and the expanding group of non-standard workers. This crucial difference in the political position of the peak labour organizations in the two countries is reflected in the political process resulting in two decisive reforms in Germany and Austria, as discussed in the following sections.

The Hartz IV reform in Germany

The Hartz IV reform package that came into effect in 2005 is generally regarded as one of the most far-reaching reforms of the German system of unemployment protection in the post-war history of the German welfare state (e.g., Hassel and Schiller, 2010, p. 11). Whilst it reduced unemployment protection for most workers, the effects of retrenchment were arguably felt most by non-standard workers, many of whom depended on the lower-tier unemployment protection schemes of unemployment assistance and social assistance. The Hartz IV reform effectively merged these two schemes into the new ALG II scheme—significantly lowering the benefits of most former unemployment assistance recipients and strengthening the work requirements for all recipients of the new ALG II scheme (Goebel and Richter, 2007).

The Hartz IV reform was passed in July 2004 under the Red-Green Government led by Chancellor Gerhard Schröder (SPD) and came into effect in January 2005. It was part of a larger

reform effort, which the government had embarked upon after its election in 1998 in an attempt to fulfil its election promise to significantly reduce unemployment. In order to develop a strategy on how to reform the national labour market, the government formed the abovementioned 'Alliance for Jobs', a tripartite consultative body that consisted of representatives of unions, employers and the government. This consultative body had already been summoned once by the predecessor government led by the conservative CDU, but had broken apart in early 1998 over disagreements between the social partners (Hassel and Schiller, 2010, p. 67). A similar fate also befell the reinstated alliance under the Red-Green government, which, after a number of unsuccessful attempts to agree on a common reform strategy, was declared to have failed by Chancellor Schröder in March 2003 (Spiegel Online, March 2003).

Due to the inability of the Alliance for Jobs to reach an agreement on reforms, the government turned to the so-called 'Hartz Commission' for advice on how to reverse the trend of rising unemployment. This commission had been appointed in 2002, with the initial mandate to develop a proposal on how to reform the public employment agency, which had been discredited by a scandal over manipulated unemployment statistics (Fleckenstein, 2008, p. 180). Headed by Volkswagen manager Peter Hartz, it consisted mainly of leaders from the private sector and government officials, while unions were only represented by two out of a total of fifteen members (Siefken, 2006, p. 376). Together with the abandonment of the Alliance for Jobs this weak representation of unions on the Hartz Commission meant that unions effectively lost their power to significantly influence the reform process and outcome (Fleckenstein, 2011, p. 152-153).

During the early 2000s the Hartz Commission made a series of reform recommendations, which arguably went well beyond its initial mandate as they included far-reaching proposals on how to reform the national system of unemployment protection. The government transferred many of these recommendations into national law via four major reform packages, the last of which was the Hartz IV reform. As shown in the detailed discussion of the preferences of political actors with respect to the Hartz IV reform by Stiller (2010) and Hassel and Schiller (2010), this reform was passed against the opposition of unions and the DGB in particular. In a series of statements, the DGB criticised not only the aspects of the reform that reduced the level of unemployment protection for standard workers, but also those measures that affected non-standard workers, most notably, the low benefit level of the new assistance scheme, ALG II (see, e.g., DGB, 2004a, 2004b, pp. 7-8). This opposition by the DGB against the retrenchment of lower-tier unemployment protection schemes and the effective exclusion of unions from the reform negotiations leading up to the Hartz IV reform confirm the findings of the above comparative analysis. Unions in Germany have sought to promote the social protection of non-standard workers, but have largely been unable to influence policy reform accordingly.

The Social Assistance Reform Law in Austria

In Austria, the integration of the various provincial-level social assistance schemes into a single national scheme with the Social Assistance Reform Law in 2010 is considered to be one of the most

significant reforms of unemployment protection in Austrian history (see, e.g., Stelzer-Orthofer, 2011). Besides introducing a national social assistance scheme that guaranteed a minimum level of social protection, this reform increased benefits for single parents, extended savings allowances, and abolished the rule by which recipients had to repay social assistance benefits upon becoming employed.

The inadequacy of the provincial social assistance schemes for ensuring the social protection of the growing number of unemployed and non-standard workers became a growing issue of concern in the late 1990s and early 2000s. During this time, the two leading Austrian labour organizations, the ÖGB and the AK, and the organizational body of state-level social administrators ('LandessozialreferentInnen-Konferenz') were the main advocates of improving basic social protection (Otter and Pfeil, 2011, pp. 212-213; Tálós, 2003, pp. 253-254; Prucha, 2003, p. 112). In 2006 this issue was then taken up by the Social Democratic Party (SPÖ), which declared the improvement of basic social protection to be a key element of its policy programme and appointed a working group with the task of drafting a proposal for a new national social assistance scheme. As shown in the tracing of the reform process by Otter and Pfeil (2011), union representatives formed a core part of this working group, alongside employer representatives and the relevant government ministries at the provincial and national level.

After negotiations were interrupted by new elections and the global economic crisis in 2007/2008 the issue was again back on the policy agenda in 2009 (Pfeil and Wöss, 2011, p. 218). During this time, the benefit level of the new scheme emerged as a key point of contention, with unions arguing for a higher benefit level (Allinger, 2011). AK President Johann Kalliauer criticised the delay of the passage of the new SA scheme due to this conflict and stressed the urgency of improving basic social assistance, explicitly referring to the need to protect those most affected by the economic crisis (Kalliauer, February 2010; see also, ÖGB, 2009, p. 23). When the new social assistance scheme became law in June 2010 (Pfeil and Wöss 2011; pp. 219-221), the AK and the ÖGB celebrated the new scheme as a key achievement, and demanded its rapid implementation and further expansion (see, e.g., AK, 2010; ÖGB, 2011). This strong advocacy by the ÖGB and the AK for the enhancement of basic social protection since the late 1990s and the unions' significant influence in the policy process as members of the working group tasked with designing the new social assistance scheme corroborate the finding from the above comparative analysis. Unions in Austria have not only taken a strong interest in improving the lower-tier unemployment protection that many non-standard workers depend on, but in contrast to their German counterparts have also been able to significantly influence national policy making to this effect.

Conclusion

This article has sought to contribute to a better understanding of cross-national differences in the reform of unemployment protection for non-standard workers by examining the divergent reform trajectories of Germany and Austria. Based on a comparative analysis of the structural, political and institutional characteristics of the two countries, the difference in the degree to which unions have

been able to influence policy reform appears to constitute an important factor in the observed divergence in unemployment protection reform. In Germany unions have traditionally lacked institutionalized access to the policy process, and their ability to indirectly influence policy through their ties to the social democratic party has weakened since the early 1990s. Consequently, despite their advocacy for the need to strengthen unemployment protection of non-standard workers, German unions have been unable to secure policy measures to improve or even maintain the level of unemployment protection for this group. This is exemplified by their de-facto exclusion from policy consultations that culminated in the 2005 Hartz IV reform. By contrast, Austrian unions have played a prominent role in the national policy-making process, which has been institutionalized in the pre-parliamentary process of tripartite negotiations between unions, employers and the government, and reinforced by unions' close and persistent ties to the social democratic party. Unions in Austria were thus able to translate their demands for better social protection of non-standard workers into actual policy reforms. This is reflected in the prominent role of unions in the negotiations over the new national social assistance scheme introduced in 2010.

While the present study has begun to shed light on the effect of unions' policy influence on the reform of unemployment protection dualization and the adaptation of welfare states to the new risk of atypical employment, an important task for future research will be to test the extent to which the findings of this study can be generalized beyond the German and Austrian context and with respect to other policy domains. Moreover, it is important to note that the extent of union involvement in labour market policy in Germany and Austria is not static, but has varied with the specific political circumstances of the time and with the dynamics of coalition formation surrounding a given policy proposal. An example is the abovementioned undermining of the social partnership in Austria by the centre-Right ÖVP/FPÖ coalition between 2000 and 2006 (see Obinger and Tálos, 2006; 2010; Tálos, 2006). During this period, there was no expansion of the unemployment protection for non-standard workers and the government succeeded in pushing through substantial cuts to pensions benefits against the opposition of the unions (see Obinger and Tálos, 2010; Busemeyer, 2005). Similarly, while German unions generally lacked institutionalized access to the policy process, they have been able to influence individual policy reforms on an ad-hoc basis. However, such influence has generally been conditional on the governments' active inclusion of unions in policy negotiations. A case in point is the 2001 pension reform led by then chancellor Schröder, who sought the backing of the unions for his reform in the face of strong opposition from other political parties in the Bundesrat (see Busemeyer, 2005). A promising avenue for future research will be to systematically exploit the variation in unions' policy influence in the policy process over time and across policy domains to examine its effect on welfare state adaption to new social risks.

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Table 1. Key reforms of unemployment protection in Germany and Austria since 1990

Germany	Austria
<i>Unemployment insurance (UI)</i>	
↓ Tightening of contribution requirements	↑ Loosening of contribution requirements for low-income and young workers
<i>Unemployment assistance (UA)</i>	
↓ Exclusion of unemployed workers without prior receipt of UI (2000)	↑ Expansions of eligibility to women and immigrants (series of reforms in early 1990s)
↓ Effective abolishment of earnings related UA (2005)	↓ Capping of benefits after first six months of receipt (1996)
↓ Abolition of claimant's right to decline job offers on the basis of pay (2005)	⇒ Retention of claimant's right to decline job offers on the basis of pay
<i>Social assistance (SA)</i>	
↓ Retrenchment of benefit level (1990/93/96)	↑ Raising of benefit levels (2010)
↓ Tightening of means-test (2005)	↑ Increase of savings allowance (2010)
↓ Introduction/strengthening of obligatory work requirements (1993, 2005)	↑ Abolishment of repayment requirement (2010)

Note: Arrows indicate effect of reform on the level of unemployment protection for non-standard workers.