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A dynamic theoretical framework of gradual institutional changes

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How do institutions transform? To answer that question, this article introduces a dynamic theoretical framework of gradual institutional changes. Instead of looking at each mode of gradual change—like layering or drift—as a stand-alone process, we examine how the application of one mode of change affects the opportunities of change agents to induce additional modes of gradual transformation. We first point to the fact that any single mode of change produces a real but limited transformation. Nevertheless, since the application of a gradual mode of change alters the institutional context, it opens new change opportunities by affecting the support in the targeted institution and/or its internal coherence. Consequently, change agents who aspire to comprehensive transformation will be able to use these new opportunities to implement additional modes of gradual transformation. Two case studies of gradual social policy transformations in Israel exemplify these theoretical assertions.

1 | INTRODUCTION

Institutions and policies tend to reproduce themselves: probably this is the most important contribution of the various branches of the new institutional theory (e.g., Hall and Taylor 1996). But, despite their 'stickiness', institutions and policies do not necessarily remain stable until an exogenous shock, like war or crisis, destabilizes them. Rather, institutions and policies may substantially change through gradual processes and due to endogenous factors (e.g., Greif and Laitin 2004; Streeck and Thelen 2005; Jacobs and Weaver 2015).

Prominent within the historical institutionalism (HI) approach, Mahoney and Thelen's (2010) theory of gradual institutional change suggests that prevailing institutions and policies reflect the results of past political compromises and power contests and produce 'losers' and other dissatisfied actors who aspire to achieve change. While institutional barriers diminish the likelihood of outright institutional displacement, these actors can strategically utilize 'cracks'—gaps and ambiguities—in existing institutions to promote change gradually (Hacker 2004; Streeck and Thelen 2005; Mahoney and Thelen 2010; Hacker et al. 2015). The main modes of such transformative but gradual

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institutional change are: 'layering', through which new rules or practices are gradually added and expanded on top of, or alongside, existing ones; 'drift', in which institutional adjustments are deliberately prevented despite changing realities; and 'conversion', namely, the redirection of existing rules or policies to new aims.

This article advances the existing theory of gradual change by adding a dynamic dimension to it. We first point to the fact that while the institutional transformation achieved through any single mode of gradual change is real, it is also limited. We further argue that at the same time, the strategic application of one mode of gradual change at time t_i alters the institutional context in ways that provide change agents with new opportunities to apply an additional mode of change at time t_{i+1}. Therefore, change agents who aspire to comprehensive transformation will be able to utilize these new opportunities for additional transformation. This is a substantial addition to the prevailing framework, which only focuses on how the institutional context in t_i affects the change agents' possibilities for action in t_i and ignores the limits of each mode of change.

We contend that this dynamic applies to drift, conversion and layering. All three produce real but limited transformations: drift changes the impact of an institution but does not generate an alternative one; conversion redirects the goals of an institution but its impact is limited by the scope of the converted institution; and layering introduces a new institution but does not dismantle the old one. At the same time, each mode of change alters the institutional context: all three weaken the relative support in the original institutions and layering also reduces internal institutional coherence. Such changes in the institutional context provide change agents with new opportunities to apply additional modes of change. Consequently, the application of drift, layering and conversion allows change agents to advance institutional transformation even after the impact of a single mode of gradual change has been utilized to the fullest.

We exemplify these theoretical assertions through process tracing analysis of two typical case studies of gradual social policy transformation: job placement policy and integration policy for Jewish immigrants in Israel. In both cases, strategic change agents generated institutional transformation through different sequences of gradual modes of change, thereby allowing us to examine the hypothesized causal relations between the application of conversion, layering and drift.

2 | THEORETICAL FRAMEWORK

2.1 | Prevailing theoretical framework of gradual institutional change

Over the last decade, the HI framework of gradual institutional change has been utilized in numerous studies and analyses of political and policy transformations. This framework points to mechanisms of institutional transformation which are not triggered by exogenous causes like wars, and which do not reflect inherent institutional failures or negative feedback (Greif and Laitin 2004; Jacobs and Weaver 2015). Rather, even when conditions for abrupt institutional transformation do not exist, strategic change agents can utilize elements of prevailing institutions and/or policies to gradually transform them. Our article develops the prevailing framework of gradual institutional change by building on two of its core arguments: first, that institutional change can be driven by agents that act strategically to transform existing institutions; second, that the actions of agents who seek change are constrained by the existing institutional context. This section briefly elaborates on these two arguments.

In the HI approach, the structure of prevailing institutions and policies reflects past political struggles and contingent policy legacies.[1] Accordingly, the theoretical framework of gradual institutional change suggests that institutional transformations reflect political struggles and can result from an 'inside job' of change agents, whose ability to

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[1]According to Streeck and Thelen (2005, p. 10), institutions are 'formalized rules that may be enforced by calling upon a third party'. This definition also applies to policies which define enforceable rules regarding the rights and obligations, for example, of citizens and/or governments. The breadth and scope of different institutions may vary from general political-economic regimes to specific policy programmes within these regimes.

attain their goals is constrained by prevailing institutions (Streeck and Thelen 2005; Mahoney and Thelen 2010). This framework reflects '[the] "non-sticky" or more "flexible" approach within HI', which 'emphasizes agency, the dialectical interaction between agents and institutions, and rejects forms of institutional analysis which over-condition actors' (Bell 2011, p. 892; see also Campbell 2004). By creatively and strategically utilizing the features of prevailing institutions, these agents may generate substantial transformation through gradual processes which unfold over a long period of time. Such processes are often less visible to the public (Hacker 2004; Hacker et al. 2015), allowing change agents to minimize and/or overcome potential and active opponents. In other words, the theoretical framework of gradual institutional change explains how political actors may bypass status quo biases, especially in domains like social policies, in which abrupt institutional change is difficult (Pierson 1996; Béland 2007).

The three main modes of gradual institutional change, extensively referred to, are drift, layering and conversion (Streeck and Thelen 2005; Mahoney and Thelen 2010). Drift changes the impact of an existing institution by purposefully preventing its supporters from adapting it to changing realities, thereby blocking the institution from fulfilling its original goals. A prominent example of drift is the erosion of the impact of social policies by preventing their adaptation to new social risks (e.g., not increasing the minimum wage despite an increase in the cost of living; Hacker 2004; see also Béland et al. 2016). In layering, change agents bypass opponents of change by adding new practices or arrangements that have a new institutional logic. The new practices are expanded faster than the old ones, and with time become dominant. The gradual addition of funded pension programmes, on top of PAYGO schemes, reflects a classic example of layering (Palier 2007; see also van der Heijden 2011; Capano 2018). Conversion occurs when change agents redirect existing policies and/or institutions to serve new goals: while old arrangements remain intact, their function changes. The reinterpreting of existing laws, like defining 'non-discrimination' as requiring 'affirmative action', reflects a prominent case of conversion (Frymer 2003; see also Thelen 2004).

The key variable that influences change agents' action possibilities—namely, the specific change strategy they can pursue—is the institutional context within which they operate (Hacker 2004; Mahoney and Thelen 2010; Hacker et al. 2015). This refers to the characteristics of the targeted institutions, and particularly the possibility of reinterpreting them and/or of disregarding them. An additional relevant characteristic of the targeted institutions is the degree of positive feedback which they produce in terms of building up organizations and constituencies that will have an interest in their preservation. The institutional context also includes the wider political context within which change should be decided upon and implemented—particularly the structure of institutional veto points and the degree to which they encourage a status quo bias.

Hence, although the theoretical framework of gradual institutional change gives a substantial explanatory role to active agency—especially strategic change agents, but also their opponents—it acknowledges that such agency is restrained by the prevailing institutional context. The significance of institutional restraints/opportunities is particularly pronounced with regard to agents' ability to pursue different modes of gradual change (Hacker 2004; Mahoney and Thelen 2010). Institutional conversion may occur when target institutions/policies are ambiguous and thereby may be more easily reinterpreted. Similarly, drift can occur when change agents have the power to block their opponents' attempts at institutional accommodation, and when layering or conversion cannot be applied due to supportive constituencies, low ambiguity and/or the structure of veto points. Layering can occur when change agents have discretionary capacities regarding the addition of new institutional arrangements and when the rigidity of the targeted institution makes it less susceptible to conversion.

2.2 | A dynamic theoretical framework of gradual institutional changes

We argue that the explanatory power of the existing theoretical framework can be enhanced by adding a dynamic dimension, which points to the causal links between the application of several modes of gradual change.

Our main argument is that within this context of real but limited institutional change, the application of one mode of gradual change opens opportunities for applying an additional mode of change. The reason is straightforward: gradual changes impact the characteristics of targeted institutions, namely, the degree of their coherence and

the degree of positive feedback they produce. The degree of coherence pertains to the compatibility of different institutional elements—rules, norms, procedures—and the degree to which an institution operates according to a unified logic (Streeck and Thelen 2005). Institutions which are less coherent offer change agents greater leeway for choosing between different logics; in the context of public policies, reduced coherence provides agents with greater leeway for choosing between competing goals and/or instruments.

The degree of positive feedback refers to whether the prevailing institution generates support from particular stakeholders—such as social groups and political actors interested in the institution's continued operation (Pierson 1996; Hacker 2004). The weaker and narrower such support is, the easier it will be to change the targeted institution (and vice versa). Support for an institution should be regarded in relative terms; thus, we assume that stronger support for alternative institutions essentially reflects weakened support for prevailing ones.

We assume that each mode of gradual change is expected to reduce the coherence of the targeted institution and/or its positive feedback effect, thereby opening new possibilities for political action to change agents. Reduced institutional coherence provides change agents with more possibilities for altering and reinterpreting additional old institutional elements. Reduced positive feedback of old institutions allows change agents to form new coalitions for change and to improve their position in their struggle against change opponents.

In addition to the institutional effects of each mode of gradual change, we also argue that the application of any single mode produces only a partial or limited institutional transformation. In other words, even if change agents who apply modes of gradual change effectively bypass opponents of change and institutional barriers, a gap remains between comprehensive institutional change and the actual change that is achieved. Accordingly, we draw hypotheses which are detailed below and summarized in Figure 1. Each hypothesis refers to the limits of every mode of gradual change, as well as to how the application of each mode affects the opportunities for change agents to apply an additional mode of change.

In terms of its transformative effects and limits, drift changes the impact of an institution but does not generate an alternative one. For example, although utilizing drift allowed Republicans to erode Medicare, it did not allow them to privatize the programme as they aspired (Oberlander 2003). In terms of its institutional impact, drift erodes the positive feedback which existing institutions produce. This derives from the fact that drift often creates systemic dysfunctions which reduce the benefits that prevailing institutions provide for stakeholders, thereby narrowing the range of stakeholders who support the status quo. In fact, due to such dysfunctions, drift might also generate 'negative feedback', and thereby enhance active opposition to prevailing institutions, as well as political deliberation regarding 'active' institutional change. Furthermore, systemic dysfunction may weaken the position of stakeholders who are identified with prevailing institutions and support their preservation within such political deliberation. When facing diminished political support for prevailing institutions, agents with unfulfilled change aspirations will be better positioned to promote active change, thus going beyond the inaction that characterizes drift. Since, as a mode of 'inaction', drift does not alter existing institutional elements and their coherence, its application at t_i opens the opportunity for the application of layering, and not conversion, in t_{i+1}.

In terms of its transformative effects and limits, layering introduces new institutional elements but does not dismantle the old ones; these elements continue to operate for an extended period, side by side with the new ones. Even if old elements become marginalized, through a process of differential growth, they are not dismantled. For example, the layering of private retirement savings accounts in the US altered the pension system but it did not produce a full privatization of the American social security system, to which Republicans aspired (Hacker 2004). In terms of its institutional impact, layering reduces institutional coherence by 'mixing' institutional elements with different logics. In addition, layering can potentially generate stakeholders with vested interests in the expansion of the new institutional logic and thereby broaden coalitions that support change. Moreover, when differential growth means that old institutional elements become 'frozen', layering may yield drift-like effects in terms of eroding the positive feedback which these old elements have previously produced. When such processes occur, the balance of political power is shifted in support of the new institutional logic and against the old one. As layering is expected to substantially weaken the relative political support for the old institutional logic and to reduce internal institutional coherence,
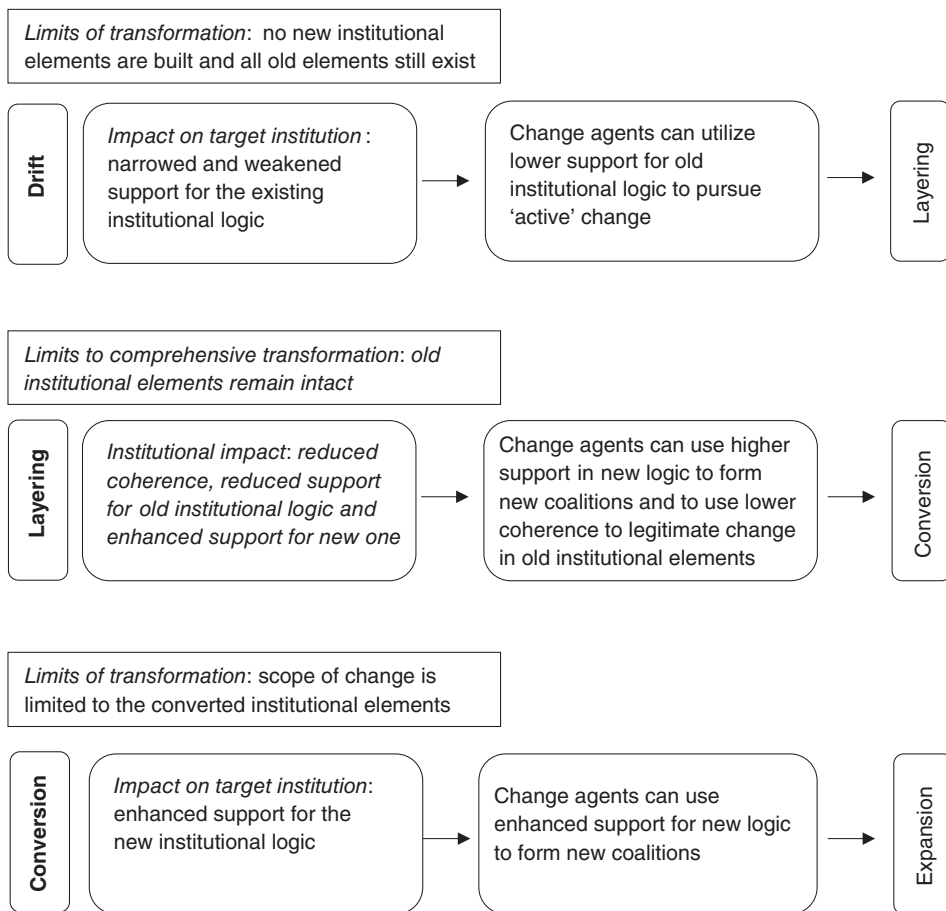
FIGURE 1   The expected dynamics of drift, conversion and layering

change agents will have new opportunities for converting old elements to the new institutional logic. Layering does not affect decision-making structures; hence, we do not expect its application in t_i to open a new opportunity for drift in t_{i+1}.

In terms of institutional transformation, conversion is limited to the specific institutional elements that were redirected and its impact is limited by their capacity and size. Since these elements were initially built to serve other goals, it is very likely that they will not be able to fully address the aspirations of those change agents who have broader goals. For example, Alfred Khan, Chair of the Civil Aeronautics Board in the US, began his competition reform in the American airline industry by converting existing regulations, but these measures were insufficient for fully restructuring this industry as he aspired (McCraw 2009). At the same time, the converted institutional elements can potentially generate stakeholders with a vested interest in the expansion of the new institutional logic. Enhanced support for the new institutional logic will allow change agents to broaden change coalitions and thereby to further expand the new institutional logic by adding new practices or policies which are compatible with the new logic (a mode of change termed 'expansion' in Falleti 2010). In contrast to drift and layering, conversion does not necessarily enhance or produce systemic dysfunction or institutional ambiguity, and therefore it does not necessarily open new opportunities for layering or further conversion.

Empirical studies of gradual institutional changes provide evidence for the existence of the above-mentioned combinations of modes of gradual change: drift is followed by layering in Hacker (2004) and Gildiner (2007); layering is followed by conversion in Béland (2007), Graf (2018) and Palier (2007); conversion is followed by expansion in

Falleti (2010) and may also be observed in Howard (1999). Except for Graf (2018), the causal links between several modes of gradual change was not analysed in these studies (see also Capano 2018).

3 | DATA AND METHOD

To test the suggested framework, we use process tracing analysis (Mahoney 2012) of two cases of social policy in Israel: job placement policy and integration policy regarding Jewish immigrants. These are two typical cases (both the cause and the outcome are present; Seawright and Gerring 2008) of substantial institutional transformation which strategic change agents have managed to achieve through a sequence of different modes of gradual change. In addition, together the two cases address all the $t_i \rightarrow t_{i+1}$ sequences suggested in the theoretical framework: drift→layering (job placement policy), layering→conversion (integration policy), and conversion→expansion (integration policy). Table 1 summarizes the empirical tests ('causal process observations' in Collier et al. 2004) we apply to identify the causal links suggested in the theoretical section.

TABLE 1   Empirical tests for links in causal mechanism

Link	Empirical tests (at least one of the following)
(a) Existence of change aspirations	1. Political actors who express aspirations for institutional transformation 2. Present institutional structures contradict interests and/or beliefs of certain political actors
(b) Barriers to outright reform	1. Political actors who oppose change and have the power to block it 2. Powerful constituencies who may lose due to change in the status quo
(c) Gradual mode of change	1. Layering: practices/rules/policies with different institutional logic are added to existing ones and their scope gradually expands 2. Conversion: existing practices/rules/policies are redirected to serve a new goal and/or a new target population 3. Drift: environmental changes require existing practices/rules/policies to be updated, and powerful actors block attempts to update them
(d) Limited transformation following a gradual mode of change	1. In the case of conversion and layering: substantial presence of old practices/rules/policies 2. In the case of drift: absence of practices/rules/policies that have a new institutional logic
(e) Gradual mode of change weakens institutional coherence	1. Post-change practices/rules/policies reflect both new and old institutional logics (while pre-change practices/rules/policies were based on one dominant logic)
(f) Gradual mode of change weakens positive feedback regarding old institutions and/or strengthens positive feedback regarding new institutions	1. New opposition to old practices/rules/policies is voiced 2. Pre-change supporters of old institutional logic refrain from support after change takes place 3. Entrance of beneficiaries and/or stakeholders due to new practices/rules/policies 4. Pre-change stakeholders support and/or benefit from the new practices/rules/policies
(g) Reduced incoherence and feedback effects allow/support change agent actors to use additional modes of change	1. Actors use the new institutional logic when justifying changes in other rules/policies/practices 2. The supporters of the new arrangements (either those previously opposed or new stakeholders) become part of the policy coalition promoting the new arrangements and/or pressure policy-makers to expand the new institutional logic

We assess all these empirical tests through a qualitative analysis of various primary resources which were selected according to their availability and relevance: interviews with senior non-elected officials who were involved in the change process, minutes of the Israeli parliament and its committees, government reports, policy documents and media coverage.[2] These resources are complemented by statistical and budgetary data. To increase our confidence that the suggested framework is valid, these empirical tests are supplemented with evaluations which are based on the broader generalizations (Mahoney 2012). Specifically, we make reference to information on the social, economic and political environment and the extent to which it can contribute to our understanding of the policy outcome.

4 | THE LIBERALIZATION OF ISRAEL'S JOB PLACEMENT POLICY

Since the 1980s, job placement policy in Israel has shifted from a market-correcting to a market-conforming logic. Under a market-correcting logic, the central aim of Israel's job placement policy was guaranteeing employment for all jobseekers and organizing the labour force according to governmental priorities. Alongside policy instruments like vocational training and industrial subsidies, this aim was achieved by centralized job placement performed by the Israel Employment Service (IES), on which we focus here. In contrast, under the contemporary market-conforming logic, the Israeli job placement policy aims to expand rather than mitigate the impact of the market on labour intermediation. Accordingly, centralized job placement no longer exists, and labour is mainly intermediated by private companies.

4.1 | Barriers to outright reform

The Israeli Ministry of Finance (MoF), in cooperation with different political allies, has been the pivotal change agent behind liberalization policies. As the most persistent promoter of economic liberalization in Israel (Maron and Shalev 2017), MoF considered market mechanisms as the basis for efficiently allocating labour and viewed centralized job placement practices as obstructing labour market efficiency (for example, Israel 1990). However, outright displacement was not possible as the market-correcting job placement policy enjoyed wide support from politicians who perceived it as crucial for preserving the rights and interests of the unemployed (Knesset Minutes 1987). The prevailing arrangements also matched the interests of the powerful labour federation, since job placements which were conducted by the IES guaranteed employers' compliance with collective agreements (Interview 8).

4.2 | 'Drifting' centralized labour intermediation

In 1958 the Israeli Employment Service Act was enacted and established the IES as the sole labour intermediator in Israel. The law reflected the developmental logic, which sought to maintain full employment and to allocate economic factors in accordance with national goals. Accordingly, the law prohibited the activity of private job placement bureaus and established the 'mandatory link', which required employers to recruit new employees only through the IES (exempting certain groups of workers). The IES's centralized and exclusive oversight allowed it to negotiate with employers and, for example, to demand that they recruit unprofessional jobseekers even if they sought only professional ones. The fact that until the early 1980s unemployment levels were low (less than 4 per cent), and that demand for employees was generally higher than their supply, greatly supported this institutional logic.

However, during the early 1980s the period of full employment in Israel ended and the number of jobseekers significantly increased (doubling between 1980 and 1985). At the same time, structural unemployment increased, reflecting a growing mismatch between the demand for skilled workers and the supply of unskilled jobseekers. These interrelated changes substantially amplified the IES's caseload and diminished its efficiency as a central hub of labour

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[2]List of interviews appears in the online appendix.

intermediation, which was based on full employment conditions. Moreover, the 'mandatory link' and IES exclusivity—the two pillars of centralized job placement—were undermined. Many employers—including government offices—ignored their legal duty to look for workers through the IES and restrictions on the activity of private manpower companies were not enforced (e.g., Knesset—Labor and Welfare Committee (KLWC) 1988).

These new circumstances substantially threatened the prevailing job placement policy in general and the IES's job placement capacity in particular (State Comptroller 1985 pp. 582–87). To adapt the prevailing system to the new circumstances, politicians and officials in the Ministry of Labor and Welfare (MoLW) and in the IES demanded additional budgets. For example, specific budget requests were made for computerizing the information systems of the IES, to improve its intermediation capacity, and for governmental vocational training programmes that sought to mitigate structural unemployment (Knesset Minutes 1983, 1987). Nevertheless, the MoF's veto powers in the budgeting process allowed it to prevent additional funding (according to David Mena, IES director at KLWC 1989b, p. 11; Meiri 1984; Nir 2012). In addition, stricter regulation of private manpower companies, promoted by the labour unions (Efrat 1986; Danon 1987), was prevented by the MoF and its allies in the right-wing Likud party (State Comptroller 1989, pp. 466–68). This party controlled the MoLW in the late 1980s and early 1990s and was the main political opposition to the left-wing parties and their affiliated unions. As a consequence of the fact that additional funding was prevented, and unemployment levels were rising, between 1986 and 2003 the IES's budget per jobseeker was reduced by 75 per cent and the average case manager dealt with 300 jobseekers on average each month, instead of the 60 they had handled in 1986 (Koreh 2003). IES placement rates diminished accordingly, from close to 80 per cent in the late 1970s to 40 per cent in 1985 (Central Bureau of Statistics various years) and to 14.2 per cent in 2003 (Koreh 2003).

4.3 | From drift to layering: legalization and expansion of market-based solutions

While drift created a systemic dysfunction in regard to the market-correcting job placement policy, it did not satisfy MoF aspirations to transform the system into a market-conforming one: although dysfunctional, the 'mandatory link' and the IES remained in place and the MoF remained motivated to pursue additional changes.

At the same time, however, by undermining the positive feedback generated by centralized employment services, drift paved the way to an additional mode of change—the layering of private manpower companies on top of the IES. Systemic dysfunction, which was caused by drift, was used to justify this new change. For example, the Director-General of the MoLW, a former MoF employee who represented MoF's agenda, explained his support for legalizing the activity of private manpower companies by reference to the 'growing load' which the IES had to handle (*Yedioth Aharonott* 1990). In addition, drift had decreased the opposition to this reform, as it weakened the position of the IES and the actual support of left-wing politicians for centralized job placement. By the end of the 1980s, even politicians who fundamentally supported the market-correcting paradigm, like various members of parliament from the left-wing parties, saw the legalization of private manpower companies as the lesser of two evils (see the words of MK Amir Peretz and MK Ora Namir in KLWC 1988, and of MK Yair Zaban in KLWC 1989a). These politicians argued that since it was the unemployed who were suffering from the dysfunction within the governmental employment services, any attempt to improve the situation of the unemployed would be desirable.

Layering was initiated by the 1991 amendment of the IES Act, which legalized the activity of private manpower companies and cancelled the 'mandatory link' which required employers to recruit new employees only through the IES (Israel 1990). Without 'touching' the IES itself, the amendment generated the 'differential growth' of market-based intermediation, thanks to the inherent advantage it provided to private manpower companies vis-à-vis the IES, in terms of lower labour costs and greater hiring flexibility. The amendment exempted private companies from applying protective placement procedures, which were required by the IES, thereby leading employers to prefer this channel of labour intermediation (Interview 8). In addition, many among the jobseekers who continued to apply for work through the IES mainly did so in order to be eligible to receive unemployment benefits. Consequently, employers

considered them as potentially less committed workers and thus preferred to recruit workers through private companies (State Comptroller 1989, pp. 466–68).

The activity of private manpower companies quickly expanded: the percentage of jobseekers who sought the assistance of private companies when looking for work was less than 10 per cent until the mid-1980s, some 20 per cent before the legislative amendment, and some 50 per cent by the late 1990s (Central Bureau of Statistics various years). While the operation of private manpower companies did not displace the IES as a public job placement organization, it severely undermined its ability to perform centralized job placement, which required a monopolistic position and full information on labour supply and demand. Figure 2 summarizes the transformation process regarding Israel's job placement policy.

One might well argue that the wave of immigration from the former Soviet Union (FSU) underlined the decision to legalize the activity of private manpower companies. Indeed, the reform was introduced as part of the policy adjustments the government took to achieve the successful absorption of that wave (Israel Government 1991). Yet successful immigration absorption could equally have justified expansion of the IES instead—except that, given drift-generated systemic dysfunction, this was not an option. Another factor which might have played a role in legalizing the activity of private manpower companies was contingent political circumstances: namely, the right-wing government headed by the Likud, which was generally more favourable to market solutions. However, for years the Likud refrained from doing so, even though it had been in power since 1977. The Likud was willing to take active action against centralized job placement only after several years of drift.

5 | REDEFINING ISRAEL'S IMMIGRATION AND INTEGRATION POLICY

The Ministry of Immigrant Absorption (MoIA) was originally established for the sole purpose of assisting Jewish immigrants to successfully integrate in Israel after their arrival. The services the MoIA provided were universal and progressive: all immigrants received some benefits, and needy immigrants received more. From the mid-2000s, the MoIA's institutional logic was transformed: instead of providing universal integration services to immigrants already residing in Israel, it began to focus on encouraging potential immigrants, mainly the skilled and wealthy, to immigrate to Israel.

5.1 | Barriers to outright reform

After more than a decade of mass immigration from the FSU, by the mid-2000s the number of immigrants had sharply decreased (from 77,000 in 1992 to 21,000 in 2005; Central Bureau of Statistics 2017). Consequently, the MoIA's annual budget, which was mostly entitlement based and corresponded to the number of incoming immigrants, decreased by 62 per cent (MoF 1992–2005). To remain relevant and in order not to atrophy, the MoIA's department heads (hereafter 'the administrators') have artificially maintained the extent of the population under the ministry's jurisdiction by repetitively extending the eligibility period for veteran immigrants (Interview 5; Prime Minister's Office (PMO) 2001). As opposed to the administrators, the ministers and the directors-general (hereafter 'the
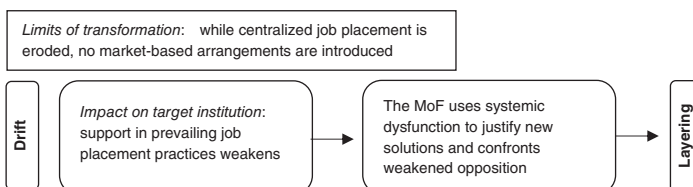
FIGURE 2 The transformation of Israel's job placement policy

political rank) assumed that such an extension could not be made indefinitely and sought to reform the ministry and transform its central goal to immigration encouragement (Interviews 1 and 2).

As the majority of potential Jewish immigrants live in Western countries (Della Pergola 2010), it was assumed that immigration encouragement efforts should focus on this population. Since this population is generally skilled and wealthy and does not suffer local hardship, it was also assumed that transforming the MoIA's central goal would have to include special incentives and/or benefits for immigration (Shachar 2006). Providing such economic incentives required MoF approval for significant additional funding (especially given the importance of veteran immigrants as a political constituency, which meant that any significant reallocation of resources was politically risky). However, the MoF rejected the provision of incentives to skilled and wealthy immigrants since it saw these incentives as unjust and inefficient (Edelstein 2001). Furthermore, it believed that once the number of immigrants decreased, the MoIA should simply be closed down or at least become significantly smaller (Interview 9).

Resistance to change also came from the administrators within the ministry. Most of the MoIA's departments worked with immigrants from the FSU or from Ethiopia and had almost no experience or knowledge of how to work with immigrants coming from Western countries, or how to induce immigration. In addition, many administrators preferred to continue on the same path of extending the eligibility period of veteran immigrants and some even explicitly objected to any organizational change (Interview 5). Hence, any change in MoIA functions or target population required extensive training and a change in the general mindset among the administrators (Interview 1).

5.2 | Layering of immigration encouragement programmes

In 2001–02 the Minister of Immigrant Absorption, Yuli Edelstein, for the first time introduced a small-scale and temporary programme—which provided additional housing and employment assistance—for encouraging immigration from France, Argentina, and South Africa (PMO 2002). The programme was installed alongside existing programmes which served immigrants who already resided in Israel. The temporary aspect of the programme and the Prime Minister's support enabled it to overcome opposition from both the ministry and the MoF. Later on, in 2004, the Minister of Immigrant Absorption, Tzipi Livni, presented a new four-year 'immigration encouragement' project, based on additional funding and following the same principles as the 2002 programme (PMO 2005).

After its introduction, the project was gradually expanded to include additional countries of origin (MoIA 2009b). After the original four-year programme had expired, another was introduced by Minister Sofa Landver. The new programme was based on the same principles as the old ones, only this time targeting skilled immigrants with specific occupations, like physicians and engineers (PMO 2009). In addition, in 2005 the government decided to partly fund private organizations which encourage immigration from the US and France. From 2005 to 2010 the funding for these organizations increased by 50 per cent (PMO 2005, 2010). Finally, in 2009, a new department for immigration encouragement was established. These changes were accompanied by a significant increase in the total budget for immigration encouragement, from being less than 1 per cent of the MoIA's total flexible budget in 2004 to about 10 per cent in 2010 (MoF 2004–10), and this did not come at the expense of existing integration services.

5.3 | From layering new programmes to converting existing ones

Although significant, the changes mentioned above were insufficient to 'reinvent' the MoIA. The new programmes were limited in time, and most of the ministry's activities were still focused on the integration of veteran immigrants. Nevertheless, the gradual addition of immigration encouragement programmes diversified the ministry's institutional logic, which was no longer focused only on integrating immigrants but also on encouraging immigration to Israel, among other things, by providing additional integration services to skilled immigrants. As immigration encouragement programmes expanded, the new institutional logic became more acceptable. This, in turn, made it possible for the MoIA's political rank to openly push for converting universal integration programmes. The programmes previously targeting all immigrants were converted to programmes providing not only basic services to all immigrants but also

additional services to skilled immigrants, thereby improving their integration and reducing the likelihood of emigration (Interview 3).

Immigration encouragement programmes also created new beneficiaries and stakeholders who had an interest in further expanding the new institutional logic. This included immigrants who had come through the new programmes and were requesting more services and benefits, and the private organizations which operated these programmes and were interested in their expansion (Interview 9). In addition, the establishment of the Department for Immigration Encouragement, and especially the significant funding it received, signalled to other administrators that they could benefit from addressing potential immigrants as well (Interviews 4 and 7).

The availability and growing legitimacy of a new institutional logic, and the growing aspiration to expand this logic, not only reduced the former resistance to the new institutional logic among MoIA administrators but led many of them to support the new path and to see it as a viable solution to the decline in the number of immigrants coming to the country (Interview 4). Accordingly, they began redirecting existing integration services to be used as immigration encouragement tools. Such conversion is evident in programmes of employment assistance, which is the main concern for potential immigrants. For example, a business entrepreneurship assistance programme, which was originally designed to help long-term unemployed veteran immigrants, was redirected from the mid-2000s to incentivize business people to come to Israel and was renamed a 'business integration package' (MoIA n.d.). Another programme, which initially encouraged public sector bodies to recruit jobseeking immigrants in the occupations with the highest underemployment, was redirected to immigrants whose occupations were desired by the government, mostly engineers and physicians (MoIA 2010). In addition to these specific programmes, in 2009 immigration encouragement was defined as the main goal in the MoIA's work plans (instead of integration) (MoIA 2009a), and in 2013 the ministry's name was changed to 'The Ministry of Immigration and Absorption' (instead of 'The Ministry of Immigrant Absorption').

5.4 | From conversion of existing programmes to expansion

Since conversion was limited to the scope of existing programmes and resources, it was insufficient to fulfil the goal of the MoIA's political rank for comprehensive transformation. For instance, it could not induce the immigration of wealthier business entrepreneurs or provide more subsidies for skilled immigrants since such expansion required additional funding, and thus MoF approval.

However, the institutional consequences of conversion supported the goals of the MoIA's political and administrative rank. Following the conversion, additional MoIA administrators wished to increase their departments' budgets by receiving extra resources for immigration encouragement or for the integration of skilled migrants (Interview 6). The conversion also created stakeholders from the private sector, like business consultation centres, which perceived the changing policy as an opportunity to contract with the MoIA. These actors could not contract with the MoIA prior to the conversion because there was no room for their services as long as the programmes targeted immigrants already in Israel. Starting from the late 2000s, these actors and immigrant organizations, mostly from the US and France, began actively lobbying the Prime Minister's Office to provide for additional services to skilled immigrants and to expand pre-immigration services (Interview 9).

The pressure of the stakeholders overcame MoF opposition (Interview 9) and enabled the expansion of additional services and programmes for skilled immigrants and potential immigrants. For example, as a result of the pressure of MoIA's Center for Integration in Science to expand its services to potential immigrants, in 2010 it launched several programmes aimed at reaching out to potential immigrant scientists, in addition to the centre's existing programmes targeting immigrants already in Israel (Interview 6). The pressure of private organizations resulted in the establishment of privately operated business consulting centres and annual fairs for potential immigrants around the world (Interview 3). In addition, since 2010 skilled immigrants have received the services of a personal integration consultant (usually an employee of one of the immigrant organizations) and in some cases, additional funding for initial integration (MoIA 2011).

Although the MoIA has continued to provide services to veteran immigrants, at present its main goal is immigration encouragement and its main target population is wealthy and skilled immigrants. What seemed at the beginning of the 2000s to contradict the institutional logic of immigration integration and perhaps even appeared illegitimate, after a decade became acceptable and even natural. As the gradual process unfolded, from layering to conversion and then expansion, the coalition supporting the transformation broadened and included not only the MoIA's political rank but also its administrators and actors from outside the ministry, all pushing for further transformation. Figure 3 summarizes the transformation process.

6 | CONCLUSIONS

In line with our dynamic framework of gradual institutional change, our case studies demonstrate how, when pursuing institutional transformation, change agents may further their goals not only by applying a single mode of gradual change (in accordance with the specific institutional context at t_i), but also through causally interlinked gradual change mechanisms. Our empirical analysis demonstrates that when a specific mode of gradual change is applied, it produces real but limited transformation; nonetheless, by altering the institutional context, the initial mode of gradual change opens new opportunities for change, which change agents who aspire to a more comprehensive transformation may utilize at t_{i+1} to promote further institutional transformation.

In the job placement policy case, drift eroded the market-correcting system but did not, and could not, fulfil the MoF's goal of liberalizing it. However, by creating systemic dysfunction and thereby reducing political support for prevailing practices, drift paved the way for introducing private manpower companies into the employment service system through layering. In other words, the transformation of Israel's job placement policy is explained by the accumulated impact of two modes of gradual change and the causal interaction between them.

The same goes for the transformation of the MoIA's logic of action from universal and progressive service provision for immigrants to selective immigration encouragement of wealthy and skilled Jews living abroad. The layering of immigration encouragement programmes affected MoIA structure to only a limited degree, but made selective immigration encouragement services legitimate and created new stakeholders. These factors enabled the conversion of prevailing integration practices towards the new goal, but change was confined to the pre-change scope of converted programmes. Then again, the support and legitimacy of the new institutional logic grew further and created opportunities for the expansion of selective immigration encouragement services into new domains.

To be clear, we do not suggest that change agents act strategically in choosing the sequence of modes of gradual change when striving for comprehensive institutional transformation. Neither MoIA officials nor MoF officials envisaged the exact transformational path which lasted a decade or more. Such strategic action is hardly possible given the unanticipated way in which political contingencies have developed. Yet we do suggest that agents' change strategies evolve over time, in line with the changing opportunities and limitations that occur following their former actions.

While our conclusions are limited by the specific contexts in which our cases take place, we can point to exemplars of gradual modes of change which support the generalizability of our arguments. First, the privatization of pensions in advanced economies and the contracting-out of social services are both exemplars of layering, in which private pensions and contracted-out services were added on top of existing collective/PAYGO pensions and public services, respectively (Palier 2007; Peters 2012). However, in both cases layering was preceded by drift, which undermined the proper functioning of prevailing public/collective institutions and provided fertile conditions for privatization: the income replacement rates of collective/PAYGO pension systems have eroded, and public budgets have stagnated despite growing needs. In addition, in an exemplar of conversion—the transformation of the German vocational training system (Thelen 2004)—the layering of alternative training arrangements preceded the redirecting of existing ones: German trade unions have managed to capture the established system, which exclusively served artisans, after creating their own training system (Boas 2007, p. 51; see also Graf 2018).
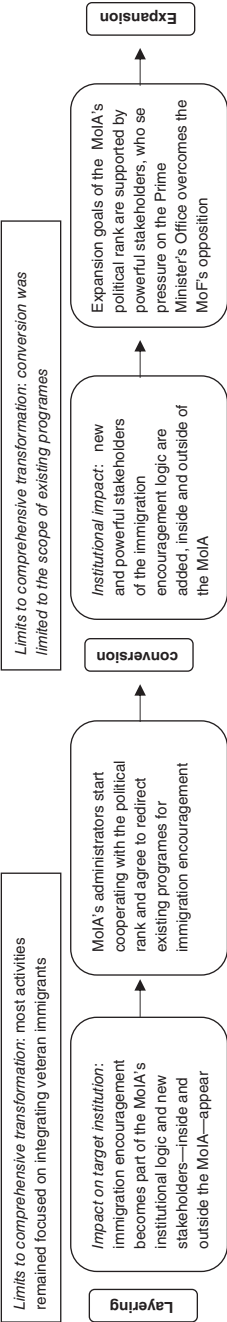
FIGURE 3 The transformation of Israel's immigration policy

The causal links between modes of gradual change, demonstrated in our two cases, underline the relevance of the analytical framework of gradual institutional changes for the study of public administration reform and bureaucratic politics. The abstract concept of 'institutional transformation' comes to life as the policy reforms discussed in both cases, and autonomous bureaucratic agencies like the MoF and the MoIA reflect change agents who stand behind these reforms because of their commitment to 'public sector reform' (Pollitt and Bouckaert 2017) and/or their quest for organizational survival (Niskanen 1971). These bureaucratic agencies and their executive heads encountered the opposition not only of politicians but also of other bureaucratic actors (like the IES and mid-rank managers in the MoIA) (see Peters 2018); institutional theory, and historical institutionalism in particular, by emphasizing the institutional context of these struggles and competition, enhances our understanding of these political dynamics and their results.

'Modes of gradual change' have been particularly instrumental in these bureaucratic struggles: in addition to enabling bureaucratic change agents to initiate policy reforms, they have also changed the institutional architecture in which bureaucratic politics have taken place to their advantage. Utilizing a dynamic framework of gradual institutional change—which tracks modes of gradual change and their sequences—not only helps to explain reforms within the public sector but also sheds light on the reasons for which such reforms are often slower and less comprehensive than the aspirations of their initiators (Pollitt and Bouckaert 2017).

In sum, our dynamic framework suggests that there are two dimensions—rather than only one—of 'gradualness' in gradual transformation processes. The first reflects the original meaning of 'gradual change', according to which each mode of change operates incrementally. The second dimension of gradualness pertains to the transition from one mode of change to an additional one, in which both modes are links within one causal chain. This second dimension of gradualism is crucial for understanding gradual institutional transformations, since it points to how change agents can advance institutional transformation after the impact of a single mode of gradual change has been utilized to the fullest. The significance of such a dynamic is accentuated when we acknowledge that each mode of change has different institutional effects (and inherent limitations) and that institutional transformation is more comprehensive when the complementary effects of several modes of change are combined.

In the wider theoretical discussion regarding the drivers of institutional transformation, this theoretical insight is crucial for explaining endogenous, agent-driven and gradual institution transformations. Specifically, it points to an additional and inverse causal relationship between the characteristics of prevailing institutions and modes of gradual change: prevailing accounts suggest that the implementation of modes of gradual change depend on the 'cracks and gaps' within existing institutions; our framework suggests that the implementation of modes of gradual change also influences the 'cracks and gaps' of an institution, thereby broadening and deepening opportunities to promote institutional transformation through gradual changes.

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of this article.

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