Reforming Bismarckian Corporatism: The Changing Role of Social Partnership in Continental Europe

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Abstract

The paper will analyze the varying role of social partners in the governance of social policies across selected Continental European countries. It asks whether institutionalized forms of social governance foster or hamper reform processes in social policy. In particular it will focus on pension and labor market policies, two fields of particular interest to organized labor and employers. The different welfare regimes show interesting institutional affinities with variations in social partnership traditions, leading to different opportunity structures for organized labor and employers to influence social policy decision making and implementation. In welfare states which share public space, governments need to use social concertation to overcome blockage at both decision and implementation levels. Yet, these social governance institutions are themselves subject to change, and governments have increasingly sought to intervene in governance structures. Hence, accounts that stress only institutional path-dependence and structural veto points fail to account for institutional change in social governance that changes the opportunity structure for welfare state reform.

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Introduction

In most Continental European welfare states, the state “shares public space” (Crouch 1986) with the social partners over such public policy areas as employment regulation and social protection (Casey and Gold 2000; Compston 2002). In this way, the social partners can play an important role in coordinating policy initiatives and implementing welfare reforms, but organized interests can also provide obstacles as they defend vested interests and block changes in the status quo (Ebbinghaus and Hassel 2000). Even when cooperating and negotiating reforms, the social partners can still pursue rather narrow self-interests, externalizing the costs of their actions onto non-participating third parties or the public at large (Berthold and Hank 1999). On the other hand, unilateral action by the state without the social partners’ consent often meets their resistance, which can lead to large-scale mobilization against government reforms. Despite losses in union membership and estrangement between unions and allied political parties in many countries, trade unions remain important political and social actors in Western Europe (Scarbrough 2000). When the state shares public space, it usually lacks the legitimacy, competencies, and implementation capacity to single-handedly carry out desired reforms of social and employment policy. Therefore, formal or informal forums for tripartite social dialogue between the government and the social partners facilitate their developing a shared understanding of the problems, as they discuss policy alternatives and their implications, and reach compromises on a common response (Ebbinghaus 2001). Consensual reform policy not only brings with it the advantage of policy making that finds common support, as social partnership also guides policy implementation, particularly at lower levels (communes and firms), but throughout the labor market in the day-to-day administration of social protection and employment services. However, much depends on how inclusive social partnerships are; that is, whether they include only the interests of the “insiders” or not, and to what degree they engage in social responsibility i.e., whether they pursue public-regarding and long-term perspectives instead of defending the status quo (Brugiavini et al. 2001).

Empirically, I focus on the social partners’ involvement in social policy making, in particular regarding old age (and disability) pensions and labor market policies (unemployment insurance and employment services). Both of these policy areas touch on fundamental interests of the social partners as they shape the conditions of temporary and permanent exit from work. Our discussion of social partnership institutions analyzes
the involvement of the social partners — employers and unions — in the current welfare reform process. In both policy areas, I find a large variety of organizational forms of public-private mix (Rein and Rainwater 1986; Shalev 1996; Mosley, Keller, and Speckesser 1998). Responsibilities for pension policies and labor market policies are divided among a multitude public and private actors, leading to different modes of social governance.

In this paper, I first discuss the different governance modes that involve the social partners: (1) institutionalized consultation in political decision-making processes, (2) tripartite social concertation between government and social partners, (3) delegated self-administration of (semi) public agencies, and (4) social partners' self-regulation through collective bargaining. We then discuss cross-national variations in these governance modes. We review the importance of consultative advisory bodies as typical corporatist institutions of interest intermediation in socio-economic decision-making. Continuing, I look at the social partners' involvement — either through delegated self-administration or through self-regulation — in these two main policy areas, but separately because of notable differences between pension and employment policies. Finally, I focus on recent efforts at tripartite social concertation that in some countries have led to “social pacts” between government and the social partners. Here again, I consider pension and labor market policies independently. After reviewing these cross-national differences in social governance, I conclude by asking whether the observed social governance patterns show institutional affinities with the Conservative welfare regimes in which they are embedded. Developments have not been completely path dependent; instead, there are interesting cases of path departure, where governments and/or employers seek to alter long established traditions of social governance in order to instill more social responsibility and reformability in social partnerships.

1 Four modes of sharing public space
European welfare states vary in the extent and ways in which they are sharing public space (Crouch 1993). Responsibilities for wage policy, employment regulation, and social protection are differently distributed between the state, the social partners, and individual employers and workers (Crouch 1999). We call these different forms of private and public actors’ involvement in providing social protection social governance modes. Our concept of social governance goes beyond Schmitter’s concept of neo-corporatism (1974) that focuses on the structural conditions for corporatist interest intermediation and (intra-)organizational properties of organized labor and capital. Our understanding of social governance comes closer to the concept of policy concertation or inter-organizational interactions of public bureaucracies and associations as defined by Lehmbruch (1991: 124). Informed by recent studies on social concertation in the fields of industrial relations and public concertation in comparative public policy, the renaissance of “social pacts” in recent years (Fajertag and Pochet 1997; 2000) has prompted renewed interest in the importance of social concertation to welfare state reforms (Hassel and

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1 It is worth mentioning that I do not use this term as a normative concept, i.e. “new governance” (Kooiman 1993; Rhodes 1996), but as an analytical concept that serves as an empirical lens (Merrien 1998).
Ebbinghaus 2000; Rhodes 2001). Recent comparative analyses also look at “social partnerships” as a form of policy concertation in a broader sense than corporatist theory has (Casey and Gold 2000; Kjaergaard and Westphalen 2001; Berger and Compston 2002). Our efforts to systematically map social governance modes in Europe thus address a topic that was largely absent from comparative welfare state research (Jessop 1999) or for that matter industrial relations theory (Crouch 1999).²

Since unilateral state intervention eliminates social partners’ involvement, I exclude it from our analytical discussions of the main social governance modes (see Figure 1). Unilateral state intervention occurs when governments are bound neither by rules nor traditions to consult the social partners and when the state does not have to rely on them for implementation. By definition, this type of state action presumes the highest degree of state autonomy, however, government responsibilities in social and employment policies are often divided across different ministries. This distribution of authority and responsibility provides the social partners with differential access to government departments and decision-making. Depending on the institutional veto points in the political decision-making process (Immergut 1991), interest groups can use political pressure to block such unilateral policies, in particular when unions or employer organizations have close ties to powerful political parties (Taylor 1989; van Waarden 1995). However, I do not include such pressure group politics in our analysis of institutionalized social governance, which entails in our understanding more direct forms of social partnership involvement in decision-making or implementation of social policies.

² Beside the aforementioned studies on social partnerships (Casey and Gold 2000; Berger and Compston 2002), few comparative studies thus far have focused on social partner involvement and pension reform (Reynaud 2000) and labor market policy (Mosley, Keller, and Speckesser 1998; Trampusch 2000). Information on social governance was collected on the basis of individual country studies (e.g., the detailed study on German social policy interest groups by von Winter 1997) and compiled from electronic information services (EIRO; MISSOC).
Certainly, unions may gain other, non-institutionalized veto power, for instance, when they succeed in blocking unilateral state intervention through mass protest or even general strikes as happened at times in France and Italy (Ebbinghaus and Hassel 2000). Such mobilization potential in turn may provide the rationale for the state to consult the social partners. Thus for pragmatic reasons, governments may consult or even negotiate with the social partners, in particular with unions, to avoid political and social conflict over state interventions. Moreover, when implementation of social policies is shared with the social partners, unilateral intervention can lead to blockage in the implementation phase. Governments may thus be forced to cooperate with the social partners — unless they are able to reform the governance structure to regain sufficient control.

Beyond unilateral state intervention, the social partners’ involvement ranges from institutionalized consultation of interest groups by policymakers to concertation between the government and social partners on economic and social policy goals (see Figure 1). Advisory councils are a form of consultation, whereas a social pact agreed in tripartite negotiations is defined as social concertation. Furthermore, corporatist interest intermediation and the social partners’ participation in administration should be distinguished since the latter provides less scope for state interference than the former (Mayntz {1990}).
We must further distinguish whether the state delegates self-administrative functions in a semi-public agency to the social groups affected or whether the social partners have assumed self-regulatory functions without state interference. In the case of self-administration, legitimacy derives from delegation of public authority by the state to an agency, whereas in the case of self-regulation, the state abstains from intervening into the self-help of the social actors according to the principle of subsidiarity (Schimank and Glagow 1984). Beyond unilateral intervention, which by definition excludes the social partners, I distinguish four social governance modes for sharing responsibilities between the state and social partners: (1) institutionalized consultation, (2) voluntary social concertation, (3) delegated self-administration, and (4) autonomous self-regulation (see Table 2).

The state’s influence varies, often considerably, according to the mode of social governance. Consultation preserves the most authority for the state. The government (or parliament) may wish to confer with the social partners or it may be legally obligated to consult an institutionalized advisory council, but the policymakers are free to diverge from the given opinions and recommendations. In contrast, concertation entails an agreement (“social pact”) between the government and the social partners, involving some concessions by the government in order to reach a compromise. These social pacts

Table 1  Four modes of social governance with social partner involvement

<table>
<thead>
<tr>
<th>Mode</th>
<th>Consultation</th>
<th>Concertation</th>
<th>Self-administration</th>
<th>Self-regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Function</td>
<td>Deliberation of social partners’ views on legislative project</td>
<td>Negotiation of government with social partners</td>
<td>Delegation of partial authority to social interest groups</td>
<td>Voluntary agreement between social partners</td>
</tr>
<tr>
<td>State’s role</td>
<td>Consideration of affected interests, but can divert from it</td>
<td>Negotiation with social partners; can offer side payments or can threat to intervene</td>
<td>Partial delegation of authority; remains “principal”: sets parameters</td>
<td>Facilitation; erga omnes extension; threat of intervention</td>
</tr>
<tr>
<td>Partners’ role</td>
<td>Joint opinions, recommendations</td>
<td>Negotiate agreement; enforce compliance of members</td>
<td>Supervision; implementation</td>
<td>Bipartite agreement; implementation</td>
</tr>
<tr>
<td>Decision mode</td>
<td>Majority / minority position</td>
<td>Voluntary agreement</td>
<td>Majority decision</td>
<td>Voluntary agreement</td>
</tr>
<tr>
<td>Potential threat</td>
<td>Voice / exit (leaving)</td>
<td>Exit (no agreement)</td>
<td>Voice / exit (leaving)</td>
<td>Exit (no agreement)</td>
</tr>
<tr>
<td>Advantage</td>
<td>Deliberation; process legitimacy</td>
<td>Public-private actor coordination; social consensus</td>
<td>Deliberation; process legitimacy</td>
<td>Internalization of costs; self-determination</td>
</tr>
<tr>
<td>Problems</td>
<td>Cumbersome; status quo defense; no deal making</td>
<td>Power decides; payments costly; danger of desertion</td>
<td>Status quo defense; lack of competence; bureaucratic</td>
<td>Danger of collusion; narrow interests; state excluded</td>
</tr>
</tbody>
</table>

Notes: unilateral intervention by the state (with no social partner involvement) or self-regulation by one actor only (e.g. union-run unemployment insurance or employer occupational pension plan) is not included here.
also bind the state to the terms of the agreement unless they are renegotiated. While consultation is legally prescribed or informal but routinely practiced, concertation occurs primarily on an ad hoc basis and depends on the voluntary agreement of all sides.

In the case of self-administration, the “principal” delegates some (though not all) decision-making authority and implementation power to an “agent” — an independent self-administered agency (Mabbett and Bolderson 1999). Depending on the authority delegated and resources provided, the self-administered agency may be more or less autonomous of the state. Moreover, the social partners’ influence depends on the rules of representation (nominated or elected), the composition (bipartite or tripartite), and the decision-making rules (qualified or simple majority). We would expect their influence to be small when self-administration is decentralized, representatives are elected from open lists, composition is tripartite (with independent experts), and no minority veto exists. In contrast, the social partners’ power would be highest when self-administration is centralized, social partners can nominate representatives, composition is bipartite (without state involvement), and each side has a veto right.

In contrast to delegated self-administration, self-regulation results from voluntary agreement between the collective bargaining partners without state interference. The state can only indirectly influence the outcome of the “autonomous” decision of the social partners by refusing *erga omnes* extension of collective agreements, by making state subsidies or tax concessions conditional on particular policies, or by intervening as an exceptional measure (but thereby damaging the principle of subsidiaristic self-regulation). Although free collective bargaining is an example of such self-regulation, the social partners may also negotiate occupational welfare outside the public welfare system.

Depending on country-specific historic traditions of sharing public space, the social partners have very different degrees of influence on policy outcomes. Moreover, their “veto power” derives mainly from the options available under a particular mode of social governance in cases of disagreement: the options of “voice” versus “exit” (Hirschman 1970) (see Table 2). In cases of consultation and self-administration, voice (for instance, a minority opinion), not exit, is the main option. Only in unusual circumstances would an organization or both social partners (threaten to) withdraw in protest from a consultative or self-administered institution — because such a move would entail repercussions beyond the case at hand. Since concertation and self-regulation are both based on voluntary agreement, any organization is free to abstain from negotiations or refuse to sign an agreement. The importance of this exit option depends on the actors’ alternatives. The non-signatory organization may seek to blame the cooperative organizations for

<table>
<thead>
<tr>
<th>Veto power</th>
<th>Policy-making</th>
<th>Implementation</th>
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<tbody>
<tr>
<td><strong>“Voice”</strong></td>
<td>Consultation (social &amp; economic council, commissions)</td>
<td>Self-administration (elected / co-opted representatives)</td>
</tr>
<tr>
<td><strong>“Exit”</strong></td>
<td>Concertation (tripartite “social pacts”)</td>
<td>Self-regulation (collectively negotiated social partner funds)</td>
</tr>
</tbody>
</table>

Table 2 Social partnership in social policy area
having made “unacceptable” concessions to the government. Consequently, there is a high risk of defection in systems with rival unions or employer organizations. The government may accept the risk of defection by one organization if an agreement with the remaining organizations is seen as legitimate and can still be implemented, for instance, through legal extension. We now review the four social governance modes across found in eight European countries. We begin with consultation in general, discuss self-administration and self-regulation, first for pension policy and then for employment policy, before finally turning to social concertation, again assessing the two policy areas separately.

2 Comparing modes of social governance

2.1 Institutionalized social consultation

At the pinnacle of traditional macro-corporatist institutions stand statutory advisory bodies that are routinely consulted in public policy-making by either convention or legal mandate. The legacy of such bodies dates back to the pre-modern Ständestaat and feudal guild traditions, which parliamentary and economic liberalism did not eradicate everywhere (Crouch 1993). Although local chambers of commerce and later labor exchanges were installed in France and Italy, these were kept at arm’s length by the post-Napoleonic state. In Germany, the chambers of commerce assumed a more important role after the abolition of guilds, and were delegated self-regulatory functions. Finally, the Netherlands (much like the Scandinavian countries), “embodied complex and contrasting mixes of liberal and old-corporate institutions” (Crouch 1993: 319). Following the discrediting experience of state-authoritarian corporatism during the interwar or occupation period, the postwar consultative institutions were remodeled to bring them in line with liberal parliamentary democracy.

Despite the fact that Germany had a long tradition of corporatist interest intermediation, no general advisory body was established after 1945 (Berger 2002). Yet social partnership was institutionalized throughout the postwar social market economy, particularly through autonomous collective bargaining (Tarifautonomie) and co-determination (Mitbestimmung) in the industrial relations arena (Rösner 1990) and social partnership involvement in social self-administration (soziale Selbstverwaltung) (Süllow 1982; Lee 1997). In addition to social self-administration, the only institutionalized consultative councils were those set up by ministries, such as the tripartite Sozialbeirat (since 1957) of the Labor Ministry (Steinmeyer 2000b), while economic policy making, be it the statutory Council of Economic Experts (Sachverständigenrat) or the independent Bundesbank (federal central bank), was shielded from influence by the social partners. Neither concerted tripartite action of the late 1960s, nor efforts at tripartite talks in an “Alliance for Jobs” (Bündnis für Arbeit) since the mid-1990s have successfully led to institutionalized consultation on social policy reforms — the main reform initiatives were largely advanced independently by the government (Bispinck 1997; Bispinck and Schulten 2000).

The Netherlands has two longstanding postwar corporatist forums (Cox 1993): the Dutch Social and Economic Council (SER, 1950), a statutory tripartite forum for
Table 3  Consultation in social policy area

<table>
<thead>
<tr>
<th>Veto point</th>
<th>Consensual labor relations</th>
<th>Contentious labor relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory</td>
<td></td>
<td>GERMANY Advisory council to ministry</td>
</tr>
<tr>
<td>Law making</td>
<td>NETHERLANDS Economic and Social Council</td>
<td>FRANCE ITALY Economic and Social Council</td>
</tr>
</tbody>
</table>

The dualism of polarized labor relations and institutionalized tripartite consultation remains a paradox of Latin European state-society relations. Despite the corporatist forum’s raison d’être of instilling social peace, these formal consultative bodies largely failed to settle contentious issues or avoid political and industrial strife. The French Economic and Social Council (CES), set-up after the war (1946) and reaffirmed with the Fifth Republic (1958), remains rather heterogeneous, as its members are selected not only from the “most representative” unions and employer associations, but also from farmers and many other professional and social groupings. Similarly, in Italy, the National and Economic Labor Council (CNE, 1957) served as a statutory advisory body, but it has remained rather unimportant in comparison to direct government negotiations with the social partners, particularly since the rise of social concertation in the 1990s (Haddock 2002).

This brief review revealed that corporatist traditions of statutory consultative councils vary considerably across Europe (see Table 3). In general, they are not sufficient to provide “veto power” to the social partners because their advisory role remains rather limited and they are often consulted at a late stage in policy-making. The French and Italian advisory councils remain rather symbolic institutions that provide a forum for deliberation but largely fail to enhance consensus building due to their heterogeneity. On contentious matters, the governments seek either unilateral action or direct negotiations with the social partners. In the Netherlands, government initiative, bipartite consensus-seeking within the Foundation, and ad hoc tripartite concertation increasingly replaces the institutionalized concertation via SER. In Germany, inter-party consensus building has
often played a surrogate role for social consensus due to the political exigencies of a federalist system with an often divided government; however, the need to seek consensus has also increased the likelihood of reform blockage (Lehmbruch 1999). In general, the traditional statutory advisory forums seem too cumbersome and heterogeneous to foster consensus and initiate reforms in the areas of social policy, whereas more informal institutions appear to be more flexible (such as Dutch STAR as bipartite foundation). The most important function of consultation institutions is to develop a shared understanding of particular policy problems and deliberate on joint solutions with long-term positive results for all sides (Streeck 1999; Visser 2001).

2.2 Self-administration and self-regulation in pension insurance

Instead of relying on consultation, the social partners may actually find more opportunities to influence pension policy through their role in its self-administration (Reynaud 2000). In several countries, social partners perform self-regulatory functions in (private) occupational pensions (Rein and Wadensjö 1997), involving not only employers, but also unions through collective bargaining, for example (Davies 1996). Again, I find major differences in the sharing of public space across welfare state regimes with respect to old age and disability pension policies. Cross-national differences in social partner involvement reflect historical variations in the development of welfare states, commonly exemplified by the Bismarckian social insurance and the Beveridge-type welfare state models (Flora and Heidenheimer 1981; Palier and Bonoli 1995). Where old age pensions were introduced as social insurance for industrial workers, benefits tended to be financed and self-administered by both the employer and the employees (Lourdelle 2002). On the other hand, in Beveridge-type welfare states, voluntary self-help was supplanted by state-provided social benefits to all citizens, financed by general or payroll taxes and administered by public agencies. Although these main differences still hold, there are many subtle variations and changes over time within the two models.

In countries with Bismarckian social insurance traditions, the contributions are divided between insured and employers. In return, self-administration is granted to both sides, employers and workers (or the insured). Since the beginning of social insurance in Bismarck’s Germany, and long before unions became recognized in the bargaining arena, trade union officials and employer representatives were elected into the self-administrating bodies of national, regional and local funds (Manow 1997). However, self-administration in the German pension system is rather indirect due to its fragmentation into several schemes and election through competing lists and the supervisory function is somewhat limited since both contribution rates and benefits are set by legislation or decree (Hinrichs 2000). Until recently, additional occupational pensions have played a limited role because they were provided on employer initiative only (except in the public sector), with little say by unions and limited consultative rights for works councils (Steinmeyer 2000a).

In Italy, Bismarckian-type pension insurance schemes were introduced much later — for blue-collar (1919) and white-collar workers (1939) and with separate schemes for the self-employed and public sector workers. The National Institute (INPS), governed by a
bipartite board (half unions and half employers or self-employed), is the central agency in charge of the main social insurance program for private sector workers (Klammer 1997). However, the government uses parliamentary acts or administrative decrees to define and change pension policies, often after budget law negotiations with the trade unions. Recently, Italian unions and employers have begun to negotiate collective agreements on occupational pensions, which have thus far played an important role in just a few sectors (Di Biase et al. 1997).

In contrast, the French and Dutch social partners play a more direct role in social insurance — at least in their self-regulatory function outside the basic public schemes. The French social protection system includes two tiers: sécurité sociale or public social security that provides basic benefits in the general regime, except for public employees, and private but often mandatory complementary regimes set up by the social partners (Friot 1996; Reynaud 1997a). French unions and employer representatives sit on hundreds of national, regional and local social insurance funds, providing not only organizational resources for the rather insufficiently funded unions, but also employer-union contacts outside the contentious realm of collective bargaining (Palier 1997). Under supervision of the social affairs ministry, these self-administered national and regional funds also administer disability insurance as well as the first-tier public pension.

As part of the Juppé reform plans in 1995, the Conservative government sought to transform the governance of social security, especially the sickness and pension funds that had been union “fiefdoms,” causing a major strike wave. Nevertheless, the government was able to substantially reform self-administration in 1996: full parity of social partners and state appointees, additional power to the state-nominated directors, new supervisory councils, and, most importantly, parliamentary approval of the annual budget (Palier 2002). The second-tier (private) supplementary pension funds were initially set-up through collective agreements by the social partners (made compulsory in 1972) (Friot 1996; Reynaud 1997b). Although the state has granted mandatory extension and at times negotiates cooperative agreements with the social partners, the state’s influence remains limited, despite the 1996 public system reforms. The social partners remain responsible for the (mandatory but private) supplementary pension funds; under employer pressure, the unions (albeit only CFDT and CFTC) signed a collective agreement in 2001 on minor reforms. While the self-administration of public social security was reformed, it remained the responsibility of the social partners to negotiate better self-regulation of the private complementary systems.

In the Netherlands, the postwar pension system is similarly divided into two tiers (Lutjens 1996; Lynes 1999). The social partners have been involved in the administration of the first tier public basic pensions through regional labor councils with parity representation and a state-appointed chairperson. The second tier (private) occupational pensions are either employer-led or industry-wide funds run by the social partners based on collective agreement (since 1949, the labor ministry can make these agreements

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3 Within public social security, a controversial reform in 1967/68 introduced parity representation, following employer criticism about minority representation but a majority share in contributions (Saint-Jours 1982, 132-133). However, the Socialist government returned the majority to elected union representatives in 1982 (Palier 2002: 352), providing social administration as an additional resource for the underfunded trade unions and as a source of legitimacy, given low membership rates (Rosanvallon 1988).
The 1952 Social Insurance Act set up tripartite Social Insurance Council that oversees the bipartite industrial insurance boards in charge of sickness and disability insurance. Following a public debate on the collision of the social partners in using disability pensions for labor shedding — revealed by the independent Buurmeijer commission in 1993 — self-administration was radically remodeled in 1995 and 1997 (Visser and Hemerijck 1997: 140-150). Instead of the tripartite Social Insurance Council, an independent public supervisory agency (CTSV) was introduced that now controls the Social Insurance Bank in charge of the basic pension and the new National Institute for Social Insurance (LISV). This institute replaces all bipartite sectoral funds, while the distribution of unemployment and disability benefits was privatized. An independent chair and three representatives of each side (unions, employers, and government) preside over the LISV, while the social partners at sectoral level have an advisory function. However, the occupational pension funds and early retirement schemes (VUT) set up by the social partners under collective bargaining are not affected by these reforms, though SER and STAR have called upon these sectoral schemes to change from final-benefit or pay-as-you-go schemes to funded and defined contribution schemes (Ebbinghaus 2006).

There are thus significant cross-national differences in the degree to which the social partners, particularly the trade unions, assume self-administrative or even self-regulative functions in pension insurance (see Table 4). While participation in self-administrative bodies can provide some decision-making power and control over implementation, the degree to which the state can regulate benefits and conditions of social insurance schemes varies considerably across welfare regimes. In the cases of Dutch and French social insurance, the social partners have traditionally had the most say, particularly in the negotiated supplementary funds. The influence of social partners through self-administration is more symbolic in Germany and Italy, leaving responsibility for setting financial and regulatory parameters largely to the government. Following recent reforms that foster a “second pillar” of private pensions, unions could enhance their bargaining role in negotiating occupational pensions. The state can use regulatory power and

Table 4  Self-administration/self-regulation in pension insurance in Europe

<table>
<thead>
<tr>
<th>Public pension</th>
<th>Union strategy before 1990s</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Expansion of public pension</td>
<td></td>
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<tr>
<td>Beveridge-type basic pension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bismarckian social insurance</td>
<td>GERMANY</td>
<td></td>
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<tr>
<td></td>
<td>ITALY</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I: Self-administration / II: Employer decision</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NETHERLANDS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I: Public administration / II: Self-regulation</td>
<td></td>
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<tr>
<td></td>
<td>FRANCE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I: Self-administration / II: Self-regulation</td>
<td></td>
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</tbody>
</table>

Notes: I: First pillar (public pension); II: Second pillar (occupational pension).

Besides mandating *erga omnes* extension of collective agreements, the government can also put pressure on the social partners to solve a particular policy issue within a specified time or otherwise legislate a reform through a Pension Convenant (Rein and Turner 2001: 131).
“incentives” through taxation policy to influence private pensions and encroach into social partner self-regulation. Thus, while shared responsibilities in the social policy arena have made reforms more difficult, particularly in implementation, the state still has considerable authority over important parameters with respect to the public pension system, and it can influence occupational pension development by using regulatory frameworks.

2.3 **Self-administration/regulation in labor market policy**

Labor market policies affect the interests of both social partners more directly than in the case of old age and disability pensions. Unemployment benefits set the reservation wage, the level at which social benefits are more attractive than earnings from work. Conditions of eligibility and benefit duration also directly alter the willingness of unemployed persons to accept jobs at market wages. Given its interventionist impact on the labor market, unemployment was the last of the four classic social risks (sickness, industrial accident, old age, and unemployment) to be introduced in most European welfare states (Alber 1981: 152). France was early in nationally subsidizing voluntary unemployment insurance (1905) and the Netherlands (1916). However, most countries eventually introduced mandatory state unemployment insurance replacing preexisting voluntary or local schemes: after Britain’s start in 1911, Italy (1919), Germany (1927), and finally the Netherlands (1949). The French collective scheme negotiated by the social partners in 1958 (made compulsory in 1967) is the exception (besides the Scandinavian union-run schemes).

In addition to unemployment insurance, local and later national employment services were introduced through initiatives of the state or the social partners, often with different modes of governance. Since “labor exchanges” match labor demand and supply, and administer active labor market policies, all three main actors have an interest in administering it. Trade unions sought to control the placement of job-seekers since they could thus prevent wage competition, while employers were reluctant to advertise jobs with union-controlled labor exchanges, preferring a bipartite or tripartite service. The central state also had an interest in controlling public employment for its active labor market policies, and local governments sought it as relief for communal obligations to provide social assistance. Public employment offices exit in all countries, but they differ in functional scope —whether they include unemployment insurance or not, offer placement services and training, and whether they involve the social partners or not (Mosley, Keller, and Speckesser 1998).

German unemployment insurance is an exception as it is integrated with active labor market policies in one tripartite self-administration (the Federal Employment Agency or BA) with national, regional and local offices. Self-administration, nevertheless, remains limited since the government stipulates contributions, benefit levels and programs through

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5 Only after a long battle between the federal government, the regional states, and the social partners was tripartite self-administration reconstituted in the Bundesanstalt für Arbeit (BA) in 1952 (Trampusch 2000: 329-340). This principle was already established by law (1927) for its interwar predecessor, which was abolished by the Nazi government in 1939.
national statutes. In addition, the BA’s budget has to be approved (or can be altered, in the case of deficit) by the Minister of Labor. A major step toward active labor market policy was enacted by the grand coalition in 1969. A recent reform that took effect in 1998 has started to devolve discretionary power to local offices. Despite its tripartite self-administration, active labor market policies remain constrained by the government’s parameter settings, especially the discretionary subsidies to BA’s budget and the setting of contribution rates.

In the Netherlands, the central government assumed responsibility for the national employment service (CBA) and unemployment assistance in 1944, while unemployment insurance (WW) was made compulsory from 1952 onwards and was administered by the industry-wide bipartite social insurance boards. The government introduced adjunct corporatist councils to coordinate labor market policies at national and regional level only in 1969. Since the mid-1980s, the communes, responsible for managing social assistance, assumed a larger role in active labor market policies, thereby partly circumventing CBA. In 1991, following the recommendation of SER, the government introduced tripartite self-administration and regionalization of public employment services to enhance coordination of activation policies with the social partners and the communes (Mosley, Keller, and Speckesser 1998: 47). Increasingly, however, the social partners grew critical of the government’s tightening of the agency’s financial autonomy, while the unanimity rule made decision-making very cumbersome. A 1994 evaluation report showed the inefficiency of tripartite governance and the “self-interest” of the social partners as well as their reluctance to support social inclusion policies. Therefore, the government reformed CBA again by introducing simple majority voting and appointing tripartite members in the “public interest” and not ex officio representatives of the social partners or the government (Mosley, Keller, and Speckesser 1998). The government also continued to decentralize and further privatize employment services. The social governance reforms of 1995 and 1997 also ended the bipartite administration of unemployment benefits. The reinsertion of the long-term unemployed and disability benefit claimants into the labor market is a challenge now transferred to the new private implementation agencies that are supervised by the tripartite LISV institute. The Dutch social partners have thus lost much of their self-administrative role in unemployment insurance and public employment services as the government pushed through major governance reforms and aimed to replace a passive welfare system with more active employment policies (Mosley, Keller, and Speckesser 1998; Hemerijck and Manow 2001).

French employment policy is even more fragmented than that of the Netherlands (Mosley, Keller, and Speckesser 1998): the social partners run unemployment insurance under a collective agreement (UNEDIC, 1958); the employment service is an independent public agency (ANPE, 1967); and, there is a national public fund for labor market policy (FNE, 1963) and a tripartite vocational training center (AFPA, 1966). Although the state

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6 An affair about misreported figures on the placement of unemployed persons in early 2002 brought a change in the agency’s leadership. An independent commission proposed organizational and policy recommendations that were published shortly before the parliamentary elections in September 2002 (Trampusch 2002).

7 The postwar mandatory unemployment insurance replaced the voluntary union-run unemployment funds (since 1917 state subsidized), which had emerged long before the local labor exchanges (mandatory for communes since 1930) (Trampusch 2000).
has limited influence on UNEDIC, the government negotiated its subsidies with the social partners — in return for measures to combat the budget deficits of the 1990s and installation of a tripartite supervisory council (COS). The employment service (ANPE) is a public agency under the Labor Ministry governed by tripartite boards at national (since 1980), regional and local levels (since 1986). Nonetheless, the boards’ decisions require ministerial approval (Mosley, Keller, and Speckesser 1998: 29-30). Similarly, the government controls ANPE’s budget as well as the public FNE fund, which finances labor market measures (most importantly thereof are the pre-retirement contracts with employers, introduced in the 1980s) (Guillemard 1991). Despite the tripartite advisory council of ANPE, “most measures of active policy are decided by the French state without consultation with the social partners” (Mosley, Keller, and Speckesser 1998: 12).

However, the social partners enjoy considerable autonomy in administering the unemployment insurance funds, and negotiating with the state over financial issues. Since the 1990s, UNEDIC has played an important role in activation measures, including a new preretirement replacement scheme of older workers with younger job-seekers (ARPE) that was initiated in 1996 when the FEN scheme became less attractive. French employment policy thus oscillates between state imposed solutions and negotiated deals. The employer-initiated “social refoundation”, which led to a bipartite agreement (signed by all unions except CGT and FO) in 2000, did not alter the bipartite self-regulation of UNEDIC although it did introduce further steps toward activation (Palier 2002: 381).

Among the Continental European welfare states, Italy’s labor market policies are less comprehensive and more highly fragmented (Gualmini 1998). As in the case of other workers’ benefits, the bipartite INPS administers the comparatively low unemployment benefits and the wage-compensation fund (CIG), a wage subsidy for industrial workers threatened with redundancy, which is subject to periodic renewal. Administration of CIG involves significant bureaucratic effort because partially or fully redundant workers remain formally employed and must be recalled to work following a “mobility list,” whose rules in recent years have been made somewhat more flexible (Samek Lodovici 2000). The public employment offices at central, regional, provincial, and local levels, all of which have adjunct tripartite employment committees, are separate from the benefit administration. In addition, since the 1970s, regional government offices decide on vocational and further training with assistance from the social partners. Overall, the social partners exert considerable influence for “they have often served to block the introduction of urgently required and fundamental reforms of labour market policy” (Höcker 1998: 202). The social partners, in particular the unions, have used opportunities to control labor market policy in a clientelist way resulting from the rather bureaucratic CIG and labor market measures’ decentralized implementation.

Social governance of unemployment insurance and employment services also shows considerable cross-national variation (see Table 5). Only Germany has fully integrated both active and passive labor market policies in one central organization; all others have divided these functions. Unemployment insurance is self-administered in Germany, France, and Italy. The social partners’ influence in unemployment insurance follows their involvement in co-financing: The more the state subsidizes or exclusively finances unemployment insurance, the more influence it can assume. Although tripartite self-
administration is common for public employment services, here the state also assumes a more dominant role through its increased financial involvement and the shift from passive towards active labor market policies.

With respect to governance structures, quite contradictory moves have occurred in Europe. In most countries, we see a trend towards decentralizing active labor market policy and its administration, seeking new cooperation between communal assistance and employment services. In the Netherlands, after a short experiment in tripartism, and more recently in Germany, the social partners' involvement has been criticized, with mainly the governments pushing reform initiatives. Finally, in France, the government has taken responsibility for active labor market policy, while the employers have pressed the unions to concur with a reform of the costly unemployment insurance scheme.

2.4 Social concertation and pension reforms

Social concertation plays an important role in pension reforms where public policy is traditionally shared or when governments do not have the capacity to push through unilateral reforms due to union opposition. If a pension system is based on an earnings-related pay-as-you go model, attempts at radical reforms can provoke resistance by workers and their organizations as it would alter an “earned” social right. “Unlike generic schemes for those in ‘need’ or for ‘citizens,’ each individual has his or her own contract with the government with specific benefits attached to his or her specific work record, years of contribution, and earnings history” (Myles and Pierson 2001: 321). We would thus expect the “veto power” of unions in pension politics to be highest in Bismarckian welfare systems, given the delegated self-administrative and self-regulatory functions of an earnings-related pension system.

Traditionally, pension reform in Germany was consensual, with concertation between the main political parties and with the social partners. Since the mid-1990s, the picture has changed. The last major consensual pension law was the 1992 pension reform, passed by parliament in November 1989 before unification (Hinrichs 2000). The 1992 reform phased out early retirement options for men and women based on unemployment, occupational disability, seniority, and, for women, career interruptions (Ebbinghaus 2006). It also changed the pension indexation to net instead of gross wages.
unification, East Germans’ pension rights were now paid out of current contributions, putting additional pressure on the sustainability of the pay-as-you-go system. Facing increasing social costs and the Maastricht deficit criteria, the government decided to phase in the planned 1992 reform measure more rapidly and introduce a “demographic factor” which would lower benefits according to increasing life expectancy. This 1999 reform, however, was opposed by the Social Democrats, who threatened to stop the reforms if elected, which they did after winning the 1998 election. The government announced further cuts in public pensions combined with a new voluntary privately funded pension (with tax incentives for lower income groups), which should supplement the public pensions’ reduced net replacement rates. The law introduced a precedent — of collectively negotiated pensions — and thus provided unions the opportunity to develop a new role at the collective bargaining table (Schludi 2001: 36). Yet the scope for tripartite concertation remained rather limited.

Despite long-standing social partnership traditions and the success of the “polder model” of concertation, the Dutch welfare reform proved very difficult to achieve against the social partners’ externalization of social costs onto the public (Hemerijck and Manow 2001). Early retirement had become a major route for employers and trade unions to allow restructuring and reduce labor supply over the 1970s and 1980s. Disability pensions had increased dramatically to nearly a million claimants largely due to the granting of such pensions to unemployed older workers with “partial disability”. Despite benefit cuts in the 1980s, the situation worsened again (Aarts and de Jong 1996a). Thus, the government pushed through further retrenchment in 1991, despite massive protests by trade unions (and with severe electoral punishment in 1994), but still could not reach a substantial turnaround (Aarts and de Jong 1996b). “As long as the social partners were in control of the self-administration of social insurance and voluntary schemes, and counteracted the public-regarding intention of welfare reform policies by rent-seeking externalization strategies, no solution to the crisis could be expected” (Visser and Hemerijck 1997). In the mid-1990s, after a report on mismanagement by the social partners, the new left-liberal government imposed a governance reform that abolished the bipartite sectoral insurance boards and replaced them with a tripartite control board and privatized implementation agencies.

The most prominent example of social concertation is the Italian pension pact negotiated in 1995 by the center-left government with the major three union confederations, without employer participation (Regini and Regalia 1997). The Italian pensions were among the most expensive and generous in Europe, having contributed substantially to Italy’s huge public debt (Ferrera and Gualmini 2000). Facing the severe Maastricht criteria for European Monetary Union, the Italian government attempted to reform pensions in the early 1990s. In 1994, unilateral plans of welfare retrenchment of the conservative Berlusconi government led to widespread protest and strikes called by the Italian unions (which also had substantial membership among pensioners), ultimately

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8. The conservative parties were against the new “Riester pensions” (called after the labor minister, an ex-union official) more for electoral than ideological reasons. They provided an opportunity for the left wing in the Social Democratic party, the unions and the social insurance administration to press for some concessions.
causing the government coalition to break apart. The incoming center-left government was then willing to negotiate with the unions because it needed both political and social consensus on pension reform. The negotiated reform was a compromise that brought some limited immediate relief and phased-in long-term cuts and systemic changes (Antichi and Pizzuti 2000).

Pension reforms in France have been a rather contentious issue, given the unions’ stake in social administration and the tradition of political strike mobilization. However, the 1993 Balladur-Veil reform that extended the necessary contribution period for private sector pensions did not cause widespread protest. The Conservative government under Balladur had consulted the social partners informally and included quid pro quo concessions for the unions, which guaranteed their role in social administration (Natali 2002). Two years later, in November 1995, when the Conservative government under Juppé proposed a reform bill, which would have introduced similar changes in public sector pensions and a governance reform, the unions were largely opposed and they led a wave of mass strikes, forcing the government to backtrack on the pension reform (Vail 1999; Béland 2001). Moreover, the Conservative government lost the next elections and the Socialist government did not attempt a new reform, failing to even implement the previously enacted (1997) plan to foster private pensions (Vail 1999). However, the Conservative government was able to push through the governance reform, which made the social security budget conditional on parliamentary approval. This had further repercussions for self-administration in the health insurance sector than for the self-regulated supplementary pensions. In addition, the government had financed “solidarity” benefits out of a special general tax and thus increased its control on non-contributory benefits, serving social functions (Palier 2002).

As I have shown, the record of social concertation in pension reform processes is rather varied across continental Europe. Concertation in the 1990s does not necessarily follow corporatist traditions. Some corporatist countries have moved away from social concertation, while others with a weak tradition have opted for social concertation. Concertation and social conflict have been present in throughout Europe. The strikes against the pension reform of the Berlusconi government in 1994 and the Juppé government in 1995 indicate that at least in countries with contentious labor relations, unions remain able to muster a political strike. However, such mass protest depends on the seriousness of welfare retrenchment and the unions’ mobilization capacity. In most

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<td>ITALY</td>
<td>at times political exchange between government and unions</td>
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<td>GERMANY</td>
<td>failed concertation efforts, state-led retrenchment</td>
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<td>NETHERLANDS</td>
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Table 6 Social concertation and pension reform in Europe (1990s)
cases, governments had good reasons to opt for consensual reform. Concerted reforms were undertaken in Italy in 1995 and 1997, an all-party consensus led to the German 1992 reform (but limits were set thereafter), and the Balladur government made concessions in 1993 that prevented such mobilization. Bringing the trade unions into reform coalitions entails phased-in reforms and *quid pro quo* side-payments. Concertation seems not to be limited to countries with self-administrative involvement of the social partners.

In addition to reforms that aimed to cut benefits and restrict eligibility, governments have also attempted to change social governance more generally, either through changes in self-administration or by changing financing modes. The Dutch government has undertaken both strategies: it has reorganized the social partners’ involvement in the self-administration and it has shifted responsibilities to private actors, for instance, the costs of sick pay onto employers. Similarly, the French government has altered self-administration and budget control. The French state increasingly assumes financial responsibility, thereby gaining more control over policy instruments and circumventing the social partners’ interests. Thus, “new” governance in pension policy entails not merely privatization, but could also include increased state-financed and means-tested benefits. Moreover, the trend towards privatization may increase the scope for social partners’ self-regulation, and indeed in France and the Netherlands, the social partners have negotiated supplementary benefits. Similarly, in countries in which private pensions have gained importance, such as Germany and Italy, the social partners may utilize the opportunity to negotiate private pension improvements in exchange for wage moderation (Hassel and Ebbinghaus 2000).

2.5 Social concertation and employment policies

Labor market policy is a field in which responsibility tends to be shared even more intricately by government and social partners. Although tripartite or bipartite employment services provide a forum for exchange, substantial labor market reforms are more likely to be negotiated by ad hoc concertation. Since the success of labor market reforms depends to a large degree on the adaptation of and implementation via collective bargaining, governments need the cooperation of the social partners. Social concertation over employment policy also involves lower levels, including local “partnerships” between local government, employers and workplace representatives. While we would expect social concertation to be more likely in countries with traditions of tripartite social governance, the veto power of the social partners in these organizations may also provide an obstacle to innovative and substantial changes.

In Germany, passive and active labor market policies were institutionalized in one tripartite organization before the rise of mass unemployment in the 1970s. After unification, the same policies were also applied, with minor changes, to the specific and particularly desperate employment problems in the East, especially in the first phases of the transformation. As the Federal Employment Office pays for both passive benefits and active employment policies, and communes are responsible for social assistance, shifting financial responsibility between social contribution paid and tax financed
benefits and between federal and local level is a recurrent problem (Widmaier and Blancke 1997). Moreover, active labor market policy leads less to a reinsertion of the unemployed into private sector jobs, but rather creates a secondary labor market. Since the 1980s, trade unions, led by the metalworkers, have sought working time reductions to better “share” employment (albeit with unsure employment effect). In addition, even though unions and employers had long been in favor of early retirement as a means to prevent redundancies and restructure firms, this passive labor market policy became increasingly costly. Employment protection was partially deregulated by the Conservative government in 1985, but with small effect, while firms used short-time arrangements to achieve demand-led flexibility. Tripartite concertation initiatives (e.g. Alliance for Jobs) under the Conservative government in 1996 and under the new Left-Center government since 1999 did not result in negotiated labor market reform because the social partners reached no agreement. Only in 2002 did the independent Hartz commission propose improvements in the employment service and myriad labor market reforms, although these had no chance to be implemented before the elections in September 2002.

In contrast to their immobility in social policy matters, the Dutch social partners played a more constructive role in employment policy (Hemerijck, van der Meer, and Visser 2000). The main active labor market policies came from government initiatives, including subsidized jobs. While the tripartite involvement in public employment services was rather short-lived, the Dutch social partners assumed a more active role in negotiating flexibility, facilitating employment growth through temporary and part-time jobs. Within the Foundation of Labor, they negotiated an agreement on “Flexibility and Security” in 1996, which was enacted by parliament without alteration only a year after the government had reduced the social partners’ statutory role in social policy consultation. This “flexicurity” agreement entailed a compromise between the “flexibility” interests of employers in minimizing regulation for temporary contracts and the employment protection (“security”) interest of atypical workers with such contracts (Wilthagen 1998). Likewise, the social partners agreed on the inclusion of ethnic minorities and the enhanced “employability” of less skilled workers, while implementation remains a matter for partnerships at company or local level.

In response to mass unemployment in France, the state as well as the social partners developed passive and active labor market policy measures, yet not in a coordinated manner. For financial reasons, unemployment benefits were cut back and made more stringent by a tripartite agreement in 1993, leading to a shift from the social partners’ contributory scheme to the new minimum income scheme (RMI since 1989), controlled and financed by the state (Milner and Mouriaux 1997: 49-50; Malo, Toharia, and Gautié 2000: 257-258). Except for the Conservative Chirac government in 1986, which abolished the authorization of redundancies and lowered entry wages for young workers, French governments have rarely pursued labor market deregulation (Malo, Toharia, and Gautié 2000). In order to boost employment, Conservative and Socialist governments used

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9 In the 1970s, early retirement was paid by the social partners’ unemployment insurance, and since the 1980s by state controlled “solidarity contracts.” In 1995, when these became less attractive, the social partners set up a new preretirement benefit (ARPE) funded by their unemployment fund (Ebbinghaus 2006).
special general taxes to finance social inclusion measures, such as reduced payroll taxes for low-wage workers. The Socialist Jospin government’s major labor market project was new legislation on the 35-hour working week, though it failed to gain the employers’ consent and implementation via collective bargaining served the flexibility of firms more than it did its employment creation goal. Thus, labor market policy was largely government driven, causing opposition by the employers, and defense of the status quo by trade unions. Nevertheless, the government and the social partners needed to come to terms on pressing financial issues (particularly on state subsidies to deal with the deficit in unemployment funds), leading to some ad hoc agreements between government and social partners, and between unions and employers.

Italy’s labor market remains highly regulated, while unemployment benefits and active labor market policies are relatively underdeveloped. Because reforms in the 1990s were often contradictory, retrenchment in the CIG wage supplementation fund (1991) and the freezing of early retirement benefits (1993) resulted in increases in typical — relatively low — unemployment benefits and an extension of early retirement and CIG mobility schemes to more occupational groups (1994) (Samek Lodovici 2000). Following the tripartite Pact for Employment (1996), which spelled out active labor market policies, the “Treu package” (1997/98) liberalized fixed-term and part-time contracts and ended the public employment services’ monopoly. Yet, the issue of reducing working time to 35 hours per week, pushed by the small Communist party, led to divisions within the government coalition and between the social partners. The December Pact for Development and Employment of 1998 and the following budget law (1999) aimed to increase public investment, foster training, and reduce labor costs to boost employment. Most recently, plans of the new Berlusconi government to reform the Workers Statute of 1970, which would flexibilize the rigid employment protection law, caused major conflicts with the social partners. Yet, in July 2002, the Italian government and two union centers (CISL and UIL) signed a “Pact for Italy.”

Developments of social concertation in the case of labor market reforms have been contradictory. The French employers have sought to renegotiate joint unemployment policy. Past and current German governments attempted social concertation in 1996 and again since 1999, but a tripartite consensus on structural reforms did not emerge. In the Netherlands, the government took the lead in reorienting labor market policy and did not have much patience with its experiment of tripartism, while the social partners jointly agreed on controlled labor market flexibility. Most recently, Italy seemed again to have attempted a concerted effort in the highly contentious field of labor market reform. Tripartite concertation’s track record remains more limited than one would expect, given

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10 The agreement, entitled “social state for work,” includes major reforms of the employment service (including private agencies), several activation measures, further investment in the South, and planned concertation on a reform of the Worker Statute (EIRO: IT0207104F). They also agreed to set up an academic commission and social partnership talks in order to reform the employment protection law.
the necessity of coordinating labor market policies between national and local governments, and between the public policies and the collective bargaining arena. By comparison with pension reform, the stakes may be higher for labor market reform as it affects more immediately union members’ interests and unions’ bargaining power. To the degree that the social partners represent the “insider” interests, the state, as the third partner, has to bring in the interest of the “outsiders.”

The success of social concertation is often linked to the potential and credible threat of state intervention that gives the social partners a good reason to find a common solution. Yet, when state intervention is unlikely, the social partners might not even be willing to enter a political exchange with the government. Similarly in social policy matters, governments do not always have the means to intervene, especially in the case of voluntary occupational welfare schemes. On the other hand, frequent and substantial state intervention may also have negative effects on the social partners’ capacity to develop consensual partnership in both the wage bargaining and social policy areas.

3 Institutional affinities and institutional change

In this paper, I discussed the different modes of social governance that involve the social partners to varying extents. In most continental European countries, instead of unilateral state intervention against the social partners’ will, the state shares public space with the social partners. The conservative welfare states of Continental Europe have a high degree of institutionalized consultation, delegated self-administration and some scope for self-regulation in pension and labor market policies. The traditional differences between contentious and consensual labor relations explain some of the more conflict-prone mobilization in France and Italy in comparison to Germany and the Netherlands. However, we found that the influence of social partners in self-administration is lowest in Germany and Italy, while the self-regulatory role is considerable in France and the Netherlands. Yet, concertation efforts have not had much impact in France and Germany, whereas particularly in Italy and partially in the Netherlands, concerted reforms have been negotiated. Moreover, the Dutch government and the French government and employers (with partial success) advanced governance reforms, whereas the German and Italian governments have largely abstained from altering the rather limited self-administrative and self-regulatory functions. Hence, the past institutional affinities seem not to be written in stone and there is scope for institutional change, even path departure from the “frozen landscape” of Continental welfare states described by Esping-Andersen (1996).

In this paper, I contend that to fully understand the roles of social partners in current reforms in Continental European welfare states; we need to examine the historically emerged modes of social governance and its institutional embeddedness in overall protection, production, and partnership arrangements. The industrial relations literature has tended to ignore the role social partners play in the social policy area (see Crouch 2001), leaving the matter to their colleagues in comparative welfare analysis. The
literature on the new politics of welfare states has often assumed the veto power of social partners based on the welfare regime configuration (Pierson 2001). As I have shown in this paper, we need to look at social governance more closely to ascertain such claims’ validity and reliability. Moreover, as our discussion of the cross-national difference in social concertation indicates that there are important intra-regime differences and path departures, which do not follow a specific “regime logic” (Crouch 2001). This calls into question the assumption of path dependence and institutional inertia common to many comparative regime analyses.

Although we did find institutional affinities between social governance and the embeddedness of welfare regime and labor relations, I also discussed striking cases of institutional change that lead to path departure (Ebbinghaus 2005) not path dependence. Three main developments have the potential to reshape social governance in the long run.

(1) Continued privatization trends in pension policy increase opportunities for the social partners to assume a larger role in negotiating occupational pensions. This has implications and promises repercussions for the linkages between wage and pension development as the social partners internalize portions of the social security costs into wage bargaining. The retreat of the state can lead here to an increased scope for social partnership responsibility, provided the two collective bargaining partners are willing to and capable of assuming such responsibility.

(2) Further decentralization in labor market policy will also lead to changes in social governance in this policy area, shifting power from tripartite national institutions to new devolved public-private partnerships. Here it will be critical whether firms and workplace representatives can be convinced to cooperate in activation and social inclusion policies that take into account the plight of labor market outsiders.

(3) Finally, social governance reforms, advanced by governments or employer organizations (as in the Netherlands and France, respectively) in recent years will even gain in importance in the future. These governance reforms seek to readjust social partnership in the social policy area to overcome reform blockages, limit the social partners’ externalization strategies, and reinstitute social responsibility. In this respect, the most important transformation of current welfare states may very well be the reforms of governance structures: these alter the conditions under which the social partners will be able to influence future reforms and whether they will share responsibility for a new balance of welfare rights and employment goals.
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