

**Concerted labour-market policy reforms in the
welfare state:
A comparison of Denmark and Germany in the
1990s**

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This is a very preliminary draft of a PhD work-in-progress. General
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“Der Korporatismus scheint unausrottbar – sowohl als Gegenstand der Forschung als auch als eine Regierungspraxis”¹

1. Introduction

1.1. Point of departure

Within Europe, there are considerable variations in labour-market policy and unemployment between countries. While some countries have managed to substantially reduce unemployment by launching a number of labour-market policy reforms, others seem to be stuck with high and persistent unemployment. Effective labour-market policy² is seen as a cornerstone for solving the considerable unemployment-related economic and social problems facing Europe today. The focus of this PhD project will be an in-depth analysis of processes of concerted³ labour-market policy reform that took place during the 1990s in two European countries, namely Denmark and Germany respectively.

The crucial point of departure for this research project is that something is missing in the current welfare-state literature. Something is missing, with respect to both the theoretical and the empirical part of the literature analysing policy reform processes. The current mix of approaches explaining welfare-state change and stability seems to have problems explaining more far-reaching changes, in this specific case the far-reaching labour-market policy reforms implemented in some countries, but not in others, through the 1990s. In the recent post-“New Politics”⁴ period, the notions of path dependency, policy feedbacks and lock-ins, increasing returns and self-reinforcing processes became part of the mainstream toolkit for welfare-state researchers. But these notions are not seen as sufficient to explain comprehensive labour-market policy reform processes. These, more or less deterministic, mainstream approaches have to be supplemented by approaches, giving more weight to dynamic aspects of the policy process.

Due to the causal complexity of labour-market policy outputs, the policy analysis needs to fall back on explanatory variables of more than one theoretical approach. Such a “multi-theoretical” analytical framework, fruitful for analysing concerted labour-market policy reform processes in two countries, will be presented below in chapter 2.

¹ Schmitter, Grote (1997).

² Labour-market policy is defined narrowly. In this project, efforts by the government and the social partners to reduce unemployment should be included. The highly complex area of wage-bargaining will not be addressed.

³ Concertation is an often and broadly used term in the recent research literature. It describes the co-determination of public policy by governments and peak level organisations and includes discussions that lead to government commitments to adopt particular policies. Mailand (2003).

⁴ Pierson (2001).

Referring to the empirical part of comparative welfare state policy literature, a comprehensive and systematic analysis of the concerted reform process beyond the “Danish miracle at the labour market”⁵ in comparison to cases adjusting badly or so called “frozen landscapes”⁶ like e.g. the German welfare state is still missing. What is needed is a systematic and sufficiently detailed comparative in-depth analysis of the negotiation process and the compromises between political reformers and interest organisations in these two countries during the 1990s.

1.2. Why these two cases?

One of the cases studied (Denmark) is an example of a country whose labour-market policy up through the 1990s proved successful,⁷ while the other (Germany) is a country whose labour-market policy in the same period was less successful. During the 1980s, Denmark balanced on the “edge of the abyss”.⁸ Twenty years later, it ranks highly among those European countries that have recovered quite convincingly from the persistent employment crisis, so much so that it is described as a “model country”. According to a recent report of the European Employment Taskforce:

“... Denmark has employment rates well above the Lisbon employment targets. Despite recent increases, unemployment remains relatively low....”⁹

As regards the actual content of the labour-market policy pursued in Denmark during the 1990s, the restructuring prescribed here must be characterised as a more profound process than the pure retrenchment or workfare programmes found in other, especially Anglo-Saxon-oriented countries. This specific Danish restructuring process, which involved more than just wage restraint and the follow-up on a blueprint for a neo-liberal model, makes the Danish case interesting for a comparative in-depth study. As Hemerijck and Schludi pointed out:

“Thus while the Danish welfare state has become more employment-friendly in the 1990s, it did not become object of major retrenchment.”¹⁰

In spite of the fact that there is no fully operationalised connection between policy output (labour-market policy reforms) and policy outcome (labour-

⁵ Madsen (2002).

⁶ Palier (2000).

⁷ Madsen (2002), Jørgensen (2002), and, for a more critical assessment of the active line, Det Økonomiske Råd (2002).

⁸ Goul Andersen (2003).

⁹ Employment Taskforce (2003), p. 64.

¹⁰ Hemerijck, Schludi (2000), p. 26.

market policy effects),¹¹ it seems justified to describe the story of the Danish labour-market policy during the 1990s as a successful one, especially in an international perspective. Of course, this “Danish miracle” in terms of improved labour-market performance cannot be explained by a single causal variable. The present PhD project, therefore, sees a more complex factor as the main explanation of the success of Danish labour-market policy, namely the change towards a more actively oriented labour-market policy with a new balance of rights and duties, combined with a generous welfare state and a flexible labour market.¹² In short, changes both in rights and duties for insured unemployed during the 1990s should be explained. The degree of labour market flexibility, which can be measured by the degree of job security and job tenure, is seen as another crucial variable influencing the agreement on reforms and compromises and will partly be integrated in the analysis.¹³

The question whether it is actually these specific labour-market policy reforms that have caused the positive development in Danish unemployment figures, is difficult to answer precisely. Of course, the government’s socio-economic policies are very much dependent on the international economic up- and downturns and the Danish “miracle” would not have been possible if the international economy had been in downturn. But that does not change the fact that government policies are important, and the labour-market policy pursued by the Social-Democratic government in the early 1990s is a key factor in explaining the “miracle”. A large number of evaluations have been undertaken since the introduction of the Danish labour-market reform 1994, and they show reach-varying results. But the overall results are positive and show significant effects in terms of an increased probability of unemployed persons taking up employment before they would otherwise have been obliged to take part in mandatory activation programmes. This leads to the assumption that the “Flexicurity-model” has been a success and the functioning of the Danish labour market has been improved, and it is seen as the most important answer to the question of why the bumblebee still keeps flying.¹⁴

The content of the labour-market policy reform implemented by the Social-Democratic led government in 1994 was mainly based on the results of a tripartite reform committee, the “Zeuthen committee”¹⁵. This concerted

¹¹ External influence via the macro-economic situation, as well as globalisation trends or the demographic development can be seen as crucial variables for the success or failure of a given labour-market policy.

¹² The main focus lies on activation and education of insured unemployed on the one side - higher priority of sanctions and duties, built in the unemployment insurance system on the other side. To the question of the dependent variable and how to measure labour-market policy reforms, see Braun (2003 b).

¹³ Putting together these three parts; rights, duties and flexibility, as so-called “Flexicurity-model” can be constructed, see Braun (2003 a), Madsen (2002).

¹⁴ Green-Pedersen, Nannestad (2000).

¹⁵ Udredningsudvalget Sekretariatet (1992)

committee was set up in 1992 by the bourgeois coalition government to find solutions to the “structural problems” in the labour market and it has to be seen as the crucial precondition and a kind of “catalyst” for the preparation and implementation of the comprehensive reforms.

“... a comparison of the Zeuthen report proposals with the content of the labour-market policy reforms demonstrate the crucial influence of the social partners. ... it seems to be a continuation of the Danish tradition of strong influence of the social partner.”¹⁶

German labour-market policy during the 1990s, on the other hand, was generally characterised by incremental and uncoordinated changes, a “stop-and-go policy”, and must in general be characterised as a failure.¹⁷ Therefore, the country-specific messages to Germany in the European Employment Taskforce publication are less enthusiastic

“... The German overall employment rate and the rate for women are above the EU average but still far below the Lisbon target. The employment rate for older workers is lagging behind. ... Unemployment and especially long-term unemployment remain among the highest in the EU...”¹⁸

From being a country which up through the 1970s and 1980s was termed “the German model” for “consensual corporatism”, “social partnership” and concertation, Germany’s position changed during the late 1980s and 1990s to a case described as a country “adjusting badly” and as the “sick man of Europe”.¹⁹ Among the political and academic community there seems to be a broad consensus that the “German model” in the 1990s was faced with a fundamental crisis. Thus, one weak point in the German political and industrial relations system is seen in “the limited capacity of political actors to adequately link the policy problems and solutions in the areas of industrial relations and social security.”²⁰

The German Social-Democratic chancellor Gerhard Schröder re-implemented the “Alliance for jobs” in 1998, which was a crucial part of the governmental programme. After five years with some incremental reforms, in the autumn of 2003 the programme failed, thus marking a preliminary end to German concertation policy in the field of labour-market policy. The concerted labour-market policy reform process ended in a deadlock situation and led later on with the Hartz reforms in 2003 and the Agenda 2010 to unilateral action.²¹

¹⁶ Mailand, (2003), p. 208, (own translation).

¹⁷ Heinelt; Weck (1998), Blancke; Schmid (2003), Siegel (2003), Streeck, Hassel (2003).

¹⁸ Employment Taskforce (2003), p. 65.

¹⁹ Manow, Seils (2000) *The Economist* 2003

²⁰ Hemerijck, Schludi (2000), p. 28.

²¹ Streeck, Hassel (2003); Hartz Kommission (2002).

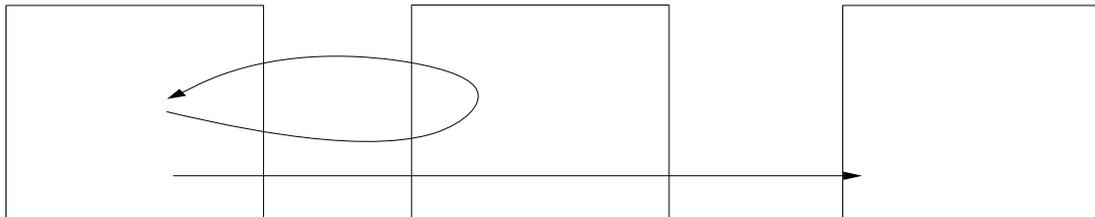
This failure of tripartite concertation was by some labour-market researchers explained by “classical” structural neo-corporatist arguments. As Streeck and Hassel argued, the decreasing degree of organisational power combined with the internal fragmentation of German unions and employer organisations, at the time described as “crumbling pillars of social partnership”²², is seen as the main cause for the deadlock in the German labour-market policy reform process.

The main objective of this study is to provide a comprehensive understanding of tripartite concertation processes as a pre-condition for the preparation and implementation of comprehensive labour-market policy reforms. The main focus is on the institutional ability to produce compromises between capital and labour, which are conducive to obtaining economic efficiency and social equality. As appears from figure 1, the paper will investigate the Danish development from “immobile corporatism” towards “efficient concertation” on the one hand, and the German development towards unilateral legislation on the other.

In general, the study is based on a public-policy perspective, and more specifically on a neo-corporatist perspective, which is supplemented with analytical elements of the recent literature on concertation and social-pacts. The analytical focus is on the preparation of labour-market policy reforms and the way in which social partners are involved in this process. The study follows an evolutionary view of the framework of neo-corporatism. The paper assesses trajectories of change in the effectiveness of concertation systems when it comes to preparing substantial labour-market policy reforms. It describes the move from the classical understanding of neo-corporatism as effects of the organisation of wage bargaining on policy-making, towards a broader approach between policy-making and institutions by taking a stronger problem-driven approach.

²² Streeck, Hassel (2003).

Figure 1: The main puzzle to explain



1.3. Research design

To answer the central research questions of the PhD project: why and how this specific labour-market policy output was possible in Denmark, but not in Germany we have to develop a research design able to maximise the explanatory power. A comparative systematic in-depth analysis of policy reforms is seen as the most fruitful approach. The comparison of two cases with variation on the dependent variable, following the logic of most similar research design, will strengthen the explanatory power.²³ Germany and Denmark can be compared as two cases with a long tradition of corporatist regulation and tripartite concertation. During the 1990s, they have been confronted with similar problems of high structural unemployment. In both countries, a kind of revival of concertation processes took place, though with different policy-outputs. Of course, a number of country-specific factors, such as differences in size, in the political system and the specific impact of the German unification process, have to be remembered.

But still, an in-depth analysis of these two cases will give us new insights into these two concertation processes. They are seen as substantially important for a better theoretical and empirical understanding of the

²³ Ragin (1994).

nuanced reality of concerted labour-market policy reform processes, leading to efficient labour-market policies. Following Ragin's logic of comparative methodology, the primary of this study:

„.... is not theory testing, but concept formation, elaboration, and refinement, and theory development.”²⁴

The analysis of the two tripartite concertation processes, the Danish “Zeuthen commission” and the German “Alliance for jobs”, will mainly be based on an analysis of official documents prepared by the social partners and political actors, supplemented with semi-structured in-depth interviews with key experts.²⁵

Of course, an in-depth analysis of the labour-market policy reform processes in two countries does not in itself allow us to transfer the results to welfare-state reforms or economic reforms in general. But due to the primacy of work and welfare for the life chances of ordinary citizens and the complexity of concertation processes, the focus on how two European welfare states try to adjust to labour-market challenges seems to be justified.²⁶

2. How to analyse concerted labour-market policy reforms?

As mentioned above, the field of dynamic reform processes in welfare states is generally under researched within political science. Green-Pedersen and Haverland claimed that the theoretical understanding of path-breaking welfare state reforms still is limited.²⁷ The majority of welfare-state literature in the 1990s aimed to explain the resilience of welfare-state institutions instead of dynamic processes, as pointed out by Kersbergen and Hemerijck:

”... comparative studies of the reform of the welfare state ... tend to feature political inertia rather than policy change. There is often a ‘crypto-deterministic bias’ in studies in the tradition of political institutionalism. This bias has led many students to downplay elements of intentionality, voluntarism, misjudgement and erratic behaviour of policy actors. Moreover, it leaves us with a rather problematic underdevelopment of theories of policy change.”²⁸

²⁴ Ragin (1994)

²⁵ In the period Februar – March 2004, 20 experts from governments, trade unions, employer organisations and social science have been interviewed. These semi-structured interviews, personal and by phone, with active participants in both concertation committees have been an important input during the research process.

²⁶ The study follows Scharpf's problem solving strategy. Scharpf, Schmidt (2000).

²⁷ Green-Pedersen, Haverland (2003).

²⁸ Hemerijck, Kersbergen (1999), p. 173.

The ambition of this study is not to fill this theoretical gap completely, but to shift the research focus towards more dynamic explanations of policy change and the preconditions for concerted labour-market policy reforms. This leads us to the classical “(neo)-corporatism theory” which is considered to have some explanatory power for the understanding of labour-market policy reform processes. Visser and Hemerijck’s influential “Dutch miracle” study²⁹ describing the concerted reform process of the Dutch welfare state during the 1990s, paved the way for a “revival” of studies of corporatism, concertation and social-pacts. Their study clearly revitalised interest in this research area. A clear-cut analytical framework to analyse concerted labour-market policy reforms still is missing and will be developed in the following chapters.

2.1. The “classical” neo-corporatist view

The “classical” research literature on neo-corporatism can be divided into two main parts, which can be traced back to the original definitions given by the “grand fathers” of neo-corporatism, Schmitter and Lehmbruch. One part of this literature focused on organisational features and systemic factors, and this interpretation was categorised as “neo-corporatism I”.

“... a system of interest representation in which the constituent elements are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.”³⁰

This structural-functionalist part of literature on neo-corporatism was supplemented by another trend within the research literature, which understands corporatism as a policy-making process in the form of concertation. Lehmbruch designated this interpretation “neo-corporatism II” and defined it as follows:

“... an institutionalised pattern of policy formation in which large interest groups cooperate with each other and with public authorities not only in the articulation ... of interests but ... in the ‘authoritative allocation of values’ and in the implementation of such policies.”³¹

²⁹ Visser, Hemerijck (1997).

³⁰ Schmitter (1979), p. 13.

³¹ Lehmbruch (1979), p. 150.

This comparative study aims to add some new insights mainly to the process and the evolution of new patterns of concertation related to labour-market policy reforms. The study follows Molina and Rhodes' arguments that:

“... an excessively structural-functionalist interpretation of corporatism led many wrongly to predict its demise as a form of policy-making to identify neo-corporatism with a stable combination of Keynesianism and Fordism is to underestimate the capacity of actors to seek and sustain its benefits in more difficult times.”³²

Baccaro strengthened with his recent studies the analytical focus on the process and the evolutionary character of corporatism. He challenged some of the basic corporatist theorems and stated that the aspects of corporatism as the structure of interest representation systems, characterised by monopolistic, centralised, and internally non-democratic associations are more or less dead. They have exhausted its predictive and explanatory capacities. Corporatism as a particular policy-making process instead is very much alive and captures much of what is going on in various countries.³³

The main argument of this study follows a similar track and is based on the suggestion that neo-corporatist systems have the capacities and internal flexibility to deliver effective labour-market policy outputs under the conditions of the 1990s. The Danish concertation process in the early 1990s shows that: efficient concertation with effective labour-market policy results is still possible. The study adds new insight to the debate of preconditions and contents of corporatist concertation, particularly concerning labour-market policy reforms.

2.2. The limits of neo-corporatist analysis

After a period with a couple of reports about the “demise-of-corporatism”, new concertation processes sprung up across Europe during the 1990s. The main “demise-of-corporatism” arguments are based on two views. According the first view:

“... the corporatism concept had outlived its utility, for in a neo-liberal world of freer markets and welfare state retrenchment, the practice of corporatist policy making was bound to disappear.”³⁴

The other view mistakenly assumed that, if the structures on which corporatism had been based were eroded, then corporatist behaviour and patterns of governance would also disappear.

³² Molina, Rhodes (2002), p. 315.

³³ Bacaro (2002) p. 1.

³⁴ Molina, Rhodes (2002).

“Corporatism, ..., would be eroded from below, as technological change and the decline of heavy industry undermined the foundations of old-style European industrial relations.”³⁵

This predominant research focus on the structural-functionalist aspects of corporatism leads to an underdevelopment of an analysis of concertation processes. The recent research literature on corporatism offers just few insights into how these concertation processes functioned or were adjusted over time.

“The theoretical analysis of this new wave of corporatism remains underdeveloped – largely because of the problems of application that have long afflicted the concept.”³⁶

A more general criticism refers mainly to the explanatory power of the neo-corporatist framework, which has not been very strong and which has even diminished over time. As corporatism has been one of the most intensively studied concepts in comparative political economy, there are a couple of different quantitative indicators of corporatism and empirical findings on the effects of corporatism. The central corporatism variable is seen as a slippery concept difficult to operationalise. Many studies emphasise description rather than explanation.³⁷

Neo-corporatist explanations are vague as to the exact relationship between the neo-corporatist decision-making structure on the one hand and the actual labour-market policy contents of the resulting decisions on the other. In general, the concept lacks the “transmission belt” between institutional structure and policy output.³⁸ Exactly the description of this “transmission belt” - an in-depth analysis of the concertation process, leading to labour-market policy reforms - will be at the centre of this analysis.

2.3. From “old” politics of Corporatism” to “new” politics of Concertation

The “classical”, mostly structural-functionalist, analytical tools have to be supplemented with new criteria, relevant for “new politics of concertation” and, in this specific case, targeted to labour-market policy reforms. For an in-depth analysis of concertation processes during the 1990s, as contrasted with the Keynesian macro-concertation during the 1970s and 1980s, substantial changes in at least four dimensions are seen as central and have to be included in the analytical framework.

³⁵ Molina, Rhodes (2002)

³⁶ Molina, Rhodes (2002), p. 309.

³⁷ Christiansen, Rommetvedt (1999), p. 209; Nannestad (1991), p. 33.

³⁸ Nannestad (1991), pp. 34.

During the 1990s, the economic policy, mainly focusing on anti-inflation politics, changed towards a policy, focusing on a balanced combination of social security and flexibility. Labour-market policy and the employment system in general came to play a much more prominent role in the policy-mix. Unemployment was re-interpreted as structural unemployment instead of “growth-deficit” unemployment as in the “old model”. In general an agenda with the issues of competitiveness and structural reforms was dominant, in contrast to the compensation strategy used during the Keynesian macro-concertation in the 1970s and 1980s.

A second change can be observed in respect to the importance of organisational aspects and the hierarchical structure of the interest organisations. As mentioned above, the “neo-corporatism I” literature focused mainly on these “power-resource” aspects. The recent empirical analysis of new social pacts and concertation processes, as for example in Holland, Italy, Portugal and Ireland, rejects the crucial importance of these aspects.³⁹ These classical power relations aspects, which have changed and mainly been used to analyse wage bargaining processes, seem to be of minor relevance in analysing concerted labour-market policy reforms during the 1990s. In line with Baccaro:

“... intra- and inter-organisational cohesion and coordination ... are still important features ... However ... the new wave of social pacts suggests that organisational coordination can also be brought about through fundamentally different mechanisms relying on democracy and discussion.”⁴⁰

This “power-resource” factor has to be seen in relation to the new role, governments play during the concertation process. According to the “old” neo-corporative concepts, governments play a role as moderators and brokers. Recent concertation processes are based on a stronger state, providing a “shadow of hierarchy”, forcing social partners to a common and problem-oriented solution.

The logic of bargaining is the fourth area in which crucial change took place. The classical concept of neo-corporatism involved “direct” fiscal payment from the government to the social partners. The currency was social-policy benefits, as for example the early retirement schemes, which resulted in an externalisation of payments to all taxpayers. In times of globalisation, corporatist change is not possible any more – or so goes one of the main arguments of the “demise-of-corporatism” literature. The empirical findings in this study show that trade and exchange between the three partners is still possible, only the “currency” has changed since the 1970s and 1980s.

³⁹ Baccaro (2002).

⁴⁰ Baccaro (2002), p. 1.

Aspects of information also seem to be of relevance to the logic of bargaining. As Culpepper argues, governments preparing welfare-state reforms have no access to the information they need. As social partners have access to technical expertise and relational information via their members and their institutional capacity, they can use these resources as a new kind of “currency” in the bargaining process. Concertation increases the capacity for information circulation and problem solving. This dialogic capacity is seen as a premise for reform framing, the integration of social partners in the reform process and for the effectiveness of the concerted reforms: ⁴¹

“While state representatives can also play this role, they are far less effective in doing so; they do not know whether the negotiated compromise in fact responds to the problems of particular actors, and private actors are anyway distrustful of the motives of state representatives. Private associations suffer from neither of these problems,...” ⁴²

Another pre-condition for the process of bargaining, influencing the logic of bargaining, is a common problem diagnosis by the partners involved. According to welfare-state reforms, fundamental differences in defining the problem in general will make it impossible to formulate a commonly accepted therapy, specifying the give-and-take balances of the partners.

Table 1: From “old” politics of Corporatism” to “new” politics of concerted labour-market policy reforms

	„Old“ Politics of Corporatism	„New“ Politics of Concertation
Economic background	- Anti-inflation politics as top-priority - Unemployment as a “growth” problem	- Focus on flexibility of the employment system and labour market policy - Structural interpretation of unemployment
Power of interest organisations	- Central organisations with hierarchical structure - Focus on structure	- Disagreement on the effects of organisational variables (Baccaro) - Focus on process
Role of government	- Moderator, broker - Direct fiscal payment	- Strong government „shadow of hierarchy“ - No direct fiscal payment
Logic of bargaining	- Win-win situation through an exchange in “social politics currency” and externalisation of payments	- New currency of exchange “logic of information” - Common problem diagnosis

⁴¹ Culpepper (2002).

⁴² Culpepper (2002).

2.4. Analytical framework to analyse concerted labour-market policy reforms

“In general a researcher in political science has to produce arguments and evidence that will convince others: Emotional attachments, personal hunches and intuitive understanding do not adequately justify knowledge claims ... Logical coherence and adequate evidence are most widely accepted criteria by which we judge claims to knowledge”⁴³

In the present project, this general and universal objective will be reached by means of a clear-cut and stringent analytical framework, which helps us to see the wood for the trees. A good analytical framework is found to select certain factors as the most important or relevant, if one is interested in providing an explanation of an event.

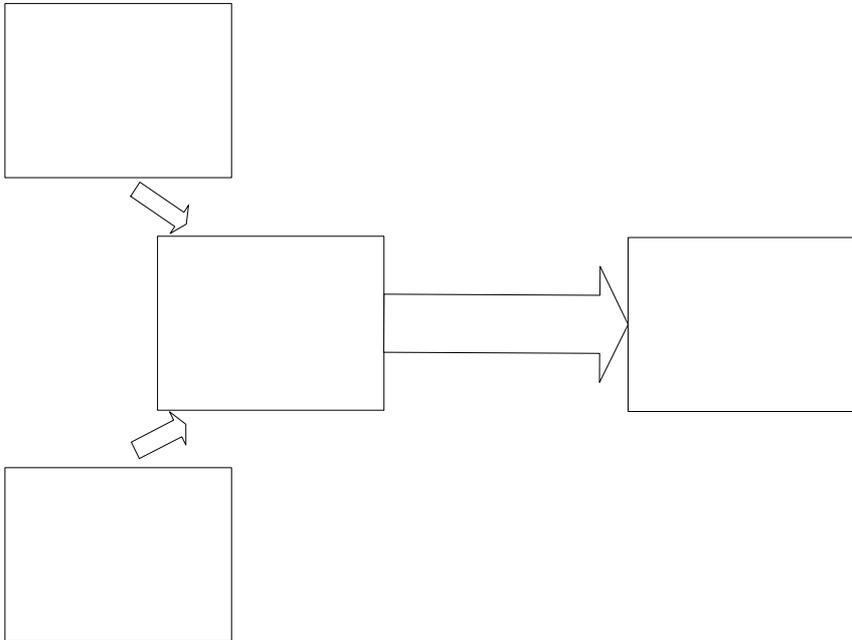
As a comparison of concertation processes in two countries is a very complex and difficult task, the ambition of this chapter is to solve some of these problems of complexity by means of a clear-cut analytical framework. As mentioned above, a couple of different factors are seen to have influence on the process of labour-market policy reforms; a single causal explanation is not seen as fruitful. The framework builds both on arguments provided by the classical neo-corporatist analysis and elements of the recent literature on concertation and social-pacts. The analysis will be constructed as a kind of test and elaboration of an analytical framework based on different approaches, which are seen to play a prominent role in explaining concerted, far-reaching labour-market policy reform processes during the 1990s.

The four dimensions outlined above will be integrated in an analytical framework based on historical institutionalism and will thereby provide the structure for the following analysis of national patterns of concerted labour-market policy reforms in Denmark and Germany during the 1990s.⁴⁴

⁴³ Lichbach, Zuckerman (1997).

⁴⁴ As this paper reflected a work in-progress, an analysis of other than “interest” factors is not included yet.

Figure 2: A general framework to analyse concerted labour-market policy reforms



Ideas

3. National Patterns of concerted labour-market policy reforms

After a short presentation of the two concertation arenas, i.e. the Danish “Zeuthen-committee” from January 1992 (Socialkommissionen, BFA) and the German “Alliance for jobs” 1998-2003, the focus will be on national patterns of labour-market policy reforms. Filling out the analytical framework drawn up above, the three interest related independent variables - power of interest organisations, role of government and logic of bargaining - will be at the centre of analysis.

3.1. Concerted labour-market policy reforms in Denmark

3.1.1. The “Zeuthen-committee”: construction, content and results

The fundamental norm for the Danish labour-market policy says that interest organisations shall be involved in political and administrative decisions when their specific interests are influenced by these. As the national labour market authority states:

Interest
 Economic background
 - Power of interest organisations
 - Role of government
 - Logic of bargaining

“The social partners play an important role on the Danish labour market, nationally and regionally, and influence the design of Danish labour-market policy. The social partners are involved in the advisory assistance to the Minister of Employment and exert influence on the employment policy field through their representation in national and regional tripartite bodies.”⁴⁵

Due to fast-rising unemployment rates and difficulties in creating labour-market policy reforms that could pass parliament, the liberal-conservative government appointed in 1991 a tripartite committee, named after its chairman, a former economic expert, Hans Zeuthen. The committee consisted of eight politically appointed experts, a number of representatives from the labour-market organisations and the government, especially civil servants from the powerful ministry of finance. Secretary work and steering competencies were placed under the ministry of finance. The agenda of this committee was clearly defined, the main concern being to find proposals for the solution of problems related to the high level of structural unemployment.

The intensive six-month-long committee work resulted in a number of publications containing a number of recommendations with different elements.⁴⁶ One type of recommendations focused mainly on activation, individualisation of labour-market policy and a reduction of the unemployment-insurance period, while another concerned the financing of the unemployment insurance system.

As pointed out above, the committee recommendations were an important source of inspiration, and they had a considerable influence on the actual implementation of labour-market policy reforms. The most crucial parts of the labour-market policy reforms implemented in 1994 were prepared in the tripartite committee and may be summarised in the following points:

- Abolishment of the right to regain eligibility for unemployment benefit through activation
- A reduction in the unemployment-insurance period
- Individual qualification improvement and introduction of a wider range of activation measures
- Decentralisation of labour-market policy and increased influence for the social partners on the regional labour-market boards (RAR)

Following Torfing, the great influence of the recommendations is due to the tripartite structure of the committee:

⁴⁵ National Labour Market Authority (2003)

⁴⁶ Udredningsudvalg (1992).

“The great influence of this so-called Zeuthen Report was due to the representation of the central labour-market organisations which served to legitimize the conclusions and recommendations.”⁴⁷

Another reason for the consensus, both during the committee’s work and in the implementation period, lies in the strategic new orientation towards a novel policy field:

“..., the central labour-market organisations have welcomed the labour-market reform because the offensive workfare strategy strengthened their role in labour-market policy making, which had been elevated from ‘low politics’ to ‘high politics’. Active labour market policy became an increasingly important task for the central labour-market organisations, which have recently lost much influence as wage negotiations were decentralised to branch level.”⁴⁸

In general, it should be pointed out that:

“The existence of policy concertation ... influences the content of public policy by ruling out types of policy decisions that are unacceptable to employers and/or trade unions ... and by producing policies that the government would not otherwise have instituted ...”⁴⁹

3.1.2. Power of organisations

One of the central elements of the Danish labour-market model is the strong organisational basis, by which it has been characterised since the early 1900s. The unemployment-insurance system in Denmark was established as the so-called Gent system in 1907. It is based on voluntary membership of an unemployment fund and regulated by the state but has traditionally been controlled by the unions. This close relationship to the unions still exists and explains the high membership rate in Denmark.

“Membership is likely to be higher ... in so far as unions can make it difficult for non-members to obtain the insurance ... Although membership of the unemployment fund is formally disconnected from union membership, and the latter is not a qualifying condition for the former, employees are likely to perceive a close connection, as is shown in surveys among employees in Denmark.”⁵⁰

Danish trade unions are organised under peak organisations with limited internal conflicts: LO, FTF and AC, with the LO as the most important. Employers are organised in three central organisations: DA, FA and SALA, with the DA as the most important and dominant organisation.

⁴⁷ Torfing (1999), p. 14 f., Torfing (2003).

⁴⁸ Torfing (1999), p. 22.

⁴⁹ Berger, Compston, (2002), p. 2.

⁵⁰ Calmfors (2001), p. 22

In the years up to the establishment of the Zeuthen committee, both LO and DA have lost power to lower-level organizations. During the 1990s, the sector-wide organisation was growing, and industry-wide organisations like Danish Industry (DI) and Danish Metal increased their influence. Still, the organisation degree in 1995 was about 78.1 % of all dependent employees.⁵¹

3.1.3. The role of government

The role of the Danish government during the work of the Zeuthen-committee was characterised by an active participation and the use of the “shadow of hierarchy” as an effective instrument to force the social partners to a compromise. In general, the state respects the general agreements between employers and trade unions, but has the ultimate power to intervene and redirect.

One of the interviewed experts and participants in the work of the committee states:

“The committee work was managed extremely effectively and professionally by civil servants from the ministry of finance. Their key person knew from the outset which consensus solutions were possible and he led the discussion with great experience. The civil servants had a lot of expert resources and an effective secretary overhead.”⁵²

Another expert points out that:

“The social partners were absolutely conscious, that they have to agree on a common reform, Otherwise the government will switch to the unilateral channel and the social partner will be without any influence for a long period.”

3.1.4. Logic of bargaining

The results of the Zeuthen-committee can be presented as a kind of give-and-take balance, which shows the “win-win-win” situation for all participating parts. In contrast to the classical direct financial payments during the “old concertation” processes, the Danish government offered the social partners payment in a “new currency”. The decentralisation of labour-market policy into regional labour-market boards opened new channels of influence to the social partners. Thus, the unions obtained an increase in qualification measures for their members. They could prevent massive retrenchment and a decrease in unemployment benefits. For the employer organisations, the solution of bottleneck problems in some branches (with the attendant risk of wage inflation), a pool of better-qualified employees

⁵¹ Ebbinghaus (2002).

⁵² Own translations

and influence on the regional level were placed on the “take” side. However, their interest in a reduction of unemployment benefits and a reform of the unemployment-benefit system could not be satisfied. The state was interested in a fast reduction of unemployment and an integration of the social partners in the reform process.⁵³

Another factor is seen to be of relevance to the logic of bargaining in the Danish context.⁵⁴ Through the managing of the unemployment funds, the Danish unions have great experience with the problem of unemployment. They could use this experience in the committee work. An unanimous problem diagnosis by the social partners was possible and it was commonly accepted that the unemployment problem was a structural one. The solution had to be a more active use of labour-market policy.

3.2. Concerted labour-market policy reforms in Germany

3.2.1. Alliance for jobs: construction, content and results

The German Alliance for jobs, Vocational Training, and Competitiveness (abbreviated as “Alliance for jobs”) was a prestigious and “high-symbolic value” project of the red-green government. Throughout the election campaign prior to the national elections in 1998, the leader of the powerful German metal workers’ union Klaus Zwickel repeated his announcement for a revival of the Alliance for jobs. The Social-Democratic chancellor candidate, Gerhard Schröder, announced support to this project, and in December 1998, as newly elected chancellor, he invited leading business and union representatives and scientists to join a tripartite Alliance for jobs at the national level. The results of the first meeting were written down in a joint declaration “Alliance for jobs, Vocational Training and Competitiveness”.⁵⁵

Inspired by social pacts and concertation processes in other European countries, especially the Netherlands, the three alliance partners agreed that the high unemployment should be overcome by “sustained cooperation between the state, trade unions and the business community.”⁵⁶ The Alliance for jobs should be built up “on a long-term basis and as a process of communication intended to develop mutual trust and to address differing interests and different points of view.”⁵⁷ It was constructed as an arrangement of various tripartite working groups. A series of “top-level talks” between the leading representatives of the three parties to the alliance was the most important element of the initiative. Between these top-level talks, a tripartite steering group coordinated overall activities and prepared agendas

⁵³ Piersons blame avoidance thesis could be of relevance here. The broader the agreement on labour-market policy reforms, the lower the risk of “blame”. Pierson (1993).

⁵⁴ The argument that perceived economic vulnerability in small countries provides a stimulus for concertation will not be analysed in this paper, see: Katzenstein (1985).

⁵⁵ Streeck, Hassel (2003).

⁵⁶ Streeck, Hassel (2003).

⁵⁷ Streeck, Hassel (2003).

for the talks. Working groups were established for those policy areas considered most relevant to employment, and major structural reforms, such as vocational and further training and labour-market policy, and additional topic-related dialogues were set up. In 2000 the Alliance for jobs included eight working groups, six topic related dialogues and finally a benchmarking group, which brings together representatives from the federal government and from the social sciences.⁵⁸ The main goals of the Alliance for jobs were formulated as follows:

- lower payroll taxes and a structural reform of the social insurance system
- more working-time flexibility and a reduction of overtime
- lower corporate taxes
- employment-supportive wage policies
- new fields of employment and training opportunities for less qualified persons
- programmes to combat youth- and long-term unemployment.

In general, as Siegel points out, the main objective of the Alliance for jobs was the development of an integrated, cross-sectoral reform concept and the establishment of new resources for the restructuring of the welfare state.⁵⁹

At top-level, the business side was represented by the presidents of the German peak employers association (BDA), the peak business association representing German Industries (BDI), German Craft (ZHD) and the Chambers of Commerce (DIHT). The labour side was represented by the presidents of the DGB and DAG and the presidents of the three largest sectoral unions (IGM, IG BCE, ÖTV). The government was represented by the relevant federal ministers and civil servants related to the topics of the Alliance for jobs agenda.

The Alliance for jobs has not produced any spectacular results, nor has it initiated a comprehensive set of reforms of the social security system. When asked about the main results, one of the main unionist actors answered:

“With the Alliance for jobs, we have been able to improve the institutional and legal framework for union activity and bring union influence to bear on government economic policy. The talks of the Alliance for jobs have committed the employers to find a common ground for an agreement, preventing them from opting out for the German model. Another effect was the spreading and diffusion of tripartite structures to the regional and local level.”

⁵⁸ Behrens, Fichter, Frege (2002).

⁵⁹ Siegel (2003), pp. 149.

A statement from one of the participants from the employer side was less positive:

“The unions blocked all our proposals. This reflected the stalemate of the German trade unions in comparison to other unions in Europe. In my opinion this was the main reason for the failure of the Alliance for jobs.”

In general, political exchange and consensus-building were marginal, but still some results were reached. The Alliance for jobs resulted in two years' wage restraint, purchased with restraint as to welfare-state retrenchment. The issue of training was the most important policy field where agreement was reached. The implementation of the JobAktiv law in 2002, with new measures of active labour-market policy was one of the main results. But all in all, it has to be stated that the original expectation of making a major contribution to reduce unemployment and promote welfare-state reforms was not fulfilled.

3.2.2. Power of organisations

One of the main reasons for the partial failure of the Alliance for Jobs initiative is to be found in “the crumbling pillars of social partnership”.⁶⁰ A strong, united and cooperative labour movement was a significant cornerstone of the German success model in the post-1945 era. Unions made a substantial contribution to the German model of labour relations. In general, the model can be described as the opposite of “bread-and-butter” unionism. The German labour movement participated actively in the political and economic reconstruction of post-World War II Germany.

“Stable relations of mutual recognition, institutionalised co-operation and regulated conflict between organised labour, organised business and government were core elements of the post-war political economy of West Germany.”⁶¹

A specific system of negotiated interest regulation between capital and labour was institutionalised and consolidated during the first three decades after World War II. This specific participatory and negotiating- culture together with the net of institutions and organized interests, was labelled “Modell Deutschland” and the “Rheinland variant of welfare capitalism”.⁶²

This institutionalised consensus found visible expression in the “Concerted action” of the late 1960s and early 1970s. The aim was to control

⁶⁰ Streeck, Hassel (2003).

⁶¹ Behrens, Fichter, Frege (2002).

⁶² Streeck, Hassel (2003).

inflation and reduce unemployment by committing the trade unions to wage moderation. This tripartite institution officially continued to exist until 1977, but neo-corporatist interest aggregation did not die with the end of the “Concerted action”. Formal and informal arrangements and institutions remained a part of the political bargaining process in Germany.⁶³

In the 1980s, the balance of power between labour and business changed and pulled the state into the management of the labour market. The fall in labour supply, via early retirement, was supported by the government and clearly reduced the responsibility of the social partners. As Streeck pointed out, this was the beginning of the specific German model of Welfare Corporatism:

“Developments in the 1980s, changed the balance of power between business and labour and pulled the state into the management of the labour market... this was the beginning of ... welfare corporatism.”⁶⁴

During the Kohl era, in November 1995, the IG Metall leader, Klaus Zwickel, presented a proposal for an “Alliance of Jobs” with the main objective of job-creation in exchange for wage increases being kept under the level of inflation during the next rounds of wage negotiations. In early 1996, this Alliance failed, caused by internal opposition demanding more radical reforms.

Referring to the power of the German unions in this decade, academic observers, normally in favour of the union, saw the DGB retreating into a more or less defensive position with the intention of protecting existing standards for its core members.⁶⁵

“The situation of the German unions today is complicated and full of contradictions. Within the unions it is difficult to identify any clearly defined political positions or programmes.”⁶⁶

As Streeck and Hassel point out, the stable and institutionalised tripartite co-operation of the “German model” crumbled during the 1990s and the German labour-market policy was highly resistant to reform. The failure of the tripartite Alliance for jobs marks the preliminary end of the attempt to adjust the German welfare state through a tripartite concertation. This progressive erosion and fragmentation of the organisational capacities of both, the business and labour organisations, is usually pointed out as the main reason for the failure of the concertation process.

⁶³ Ramge (2003).

⁶⁴ Streeck, Hassel (2003), p. 105.

⁶⁵ Behrens, , Fichter, Frege (2002).

⁶⁶ Behrens, Fichter, Frege (2002), p. 2.

In the first place, the division on the capital side between the BDI, openly pressing for a neo-liberal course, and the BDA, whose affiliates have to deal with the unions in collective bargaining, made a joint problem-solving strategy more difficult. Conflicts between the leader of the BDI, Hans-Olaf Henkel, and the leader of BDA, Murrmann and later Hundt, lead to declining membership in employer organisations. Another organisational problem emerged due to new divisions in the employer camp between small to medium sized and large companies

In the second place, the German trade unions have lost more than 4 million members between 1991 and 2000. As pointed out by Streeck, these two developments resulted in a deadlock-situation:

“Too weak to take risks and too strong to give way, German unions turned into a thoroughly conservative political and industrial force opposed to experiments of any kind and defending, ... , the accumulated entitlements of an ageing core membership. Just as their weakness made unions unwilling to make concessions, it encouraged employers to demand deeper changes than even a conservative government could make without endangering its electoral support.”⁶⁷

3.2.3. The role of the state

Besides these organisational arguments, the classical interpretations of Germany as a “semi-sovereign state”⁶⁸ and as a “grand-coalition state”⁶⁹ have been used to explain the “reform blockade” as being due to the political veto-power of the social partners. However, these concepts stress the constraints of the federal government and do not take into account either the possibilities of the “shadow of hierarchy”⁷⁰ or the potential steering capacity of the government into account. Thus, interviews with participants from all sides of the concertation talks resulted in quite agreeing statements like:

“During the top talks, the role of the state was too passive ...”

“The representatives from the state have not used their steering capacity ... “

“ There was no common agreement inside the government, a lot of conflicts between ministry have bounded resources ...”

⁶⁷ Streeck, Hassel (2003), p

⁶⁸ Katzenstein (1985)

⁶⁹ Schmidt (2000).

⁷⁰ Scharpf, Schmidt (2001).

A central actor and representative from the government expressed it thus:

“To be a bit self-critical, we have not used the “Peitsche im Fenster” strong enough. During the first two years, the Alliance for jobs was hold together by the common interests of the social partners. As the unemployment decreased during 1999, the governmental pressure to reach a common result decreased. ... and the politics of “ruhige Hand” was on the top of the agenda. ... Another reason for the weak pressure has to be seen in the internal conflicts inside the government between the ministry of Finance and the chancellor.”

3.2.4. Logic of bargaining

If we analyse the logic of bargaining, there was little, the German government could offer the unions in a corporative exchange. As Streeck points out:

“There is ... little if anything a government could offer unions in exchange for co-operation in labour-market reform. ... More employment requires more flexible labour markets, but flexibility endangers the security unions are committed to defending. Flexicurity, the new magic formula for consensual change, is still no more than a word. Nobody knows what a new sort of security could look like that would be both supportive of flexibility and acceptable to the unions.”⁷¹

A joint problem-diagnosis or an agreement on a common “master plan” to fight unemployment could not be reached.

4. Conclusions

Research focusing on how politics of concertation could be developed for the preparation and implementation of effective labour-market policy is still missing. The concerted routes followed by the labour-market policy reform process are not well known. In a way, they are the “hidden face” of recent concerted labour-market reforms.

The present comparative study adds new insights to the research literature about concerted labour-market policy reforms. The in-depth description of the Danish labour-market policy during the 1990s shows that concerted action is still possible. The far-reaching Danish labour-market policy reform of 1994, prepared by the tripartite Zeuthen-commission, was characterised by an effective concertation process between state, employer confederations and trade unions, in a joint search for commonly acceptable solutions to economic and social problems. This story can be seen as a counterargument to the predictions found in the “demise-of-corporatism”

⁷¹ Streeck, Hassel (2003), pp. 120

literature,⁷² whose arguments are mainly based on the decreasing power of national governments, caused by globalisation and a dominant neo-liberal agenda.

The question whether concertation is the most successful way of achieving the reform of labour-market policy does not have a clear answer. The analysis of the German Alliance for jobs reflects a trajectory from a model which has often been held up as a paradigm for consensual resolution, towards unilateral action. The results of the Alliance for Jobs in Germany must be described as a failure, in that comprehensive and consensual labour-market policy reforms could not be reached.

This paper has developed an analytical framework for analysing concerted labour-market policy reforms. The success or failure of concerted labour-market policy reform seems to depend on at least three factors, which have to be integrated in this framework, thus refining the framework of “neo-corporatism”. The effects of organisational variables are not as definite as in the “old” neo-corporatist framework. What has to be analysed is the process rather than the structure of these organisational variables. A second factor of importance is the new role played by governments during the concertation process. Thus, we see a government having expanded from its traditional part as a moderator and broker to play a steering role in the process by providing a “shadow of hierarchy”.

As a third factor, the logic of bargaining has to be elucidated. The analytical focus should be shifted to the “new currency” of exchange and the common problem diagnosis as important preconditions for an exchange. This analytical framework is seen as a first tool to throw light on the “hidden” face of concerted labour-market policy.

⁷² Literature

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Interviews

In the period Februar – March 2004, 18 experts from governments, trade unions, employer organisations and social science have been interviewed. These semi-structured interviews, personal and by phone, with participants in both, the work of the Zeuthen-commission and the Alliance for jobs have been an important input during the research process.