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ABSTRACT ▪ A number of continental states have adopted tripartite concertation in order to reform their welfare and employment regimes. The German welfare state, in contrast, was highly resistant to reform efforts during the 1990s. The article analyses the emergence of tripartite concertation in Germany. It presents two arguments. First, unlike many European countries, Germany encountered major economic problems only from the mid-1990s. Second, the German case illustrates the very complex nature of institutional barriers which restrict government intervention in policy fields. The examples of the Alliances for Jobs in 1995 and 1998 show the interaction between institutional barriers and reform policies.

Introduction

For some time the German welfare state has been seen as 'adjusting badly' to the new challenges of an internationalized economy, the transformation to a service economy and demographic changes (Manow and Seils, 2000). In particular, international organizations have been criticizing the reluctance to transform the German employment and welfare system. The OECD (1998: 135), while appreciating that a range of reforms had been introduced, demanded that the process be pushed further to ensure sufficient employment creation to reduce substantially the high level of structural unemployment. More critically, the IMF (2000) concluded that 'reforms of wage bargaining and the social safety net are thus key, but so far missing, pieces of the puzzle'.

At the level of the EU, the German national action plans were criticized as inadequate for addressing the major challenges of the welfare state. The most recent Commission report (EC, 2000: 84) on the implementation of the EU economic guidelines emphasized that 'policy discussions focus on extending early retirement schemes, while problems such as benefit reform and further flexibility in labour markets are not

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on the political agenda. Reforms during the last decade have been relatively timid.'

The ills of the German welfare state are not exceptional. Like other continental welfare states, Germany suffers from the phenomenon of 'welfare without work' (Esping-Andersen, 1996): that is, high levels of unemployment and relative low employment rates. During the 1970s and 1980s, rising unemployment levels were answered by increasingly taking workers out of the labour market. Early exit from work was a highly popular measure to reduce labour supply, as were large-scale employment schemes and educational leave for parents with young children. Germany has followed the route of early retirement, as have most continental European countries (Ebbinghaus, 2000; Manow and Seils, 2000). The government has tried to close this route to some extent, but has not found a way of creating new employment. Participation rates of elderly workers are still below 50 percent and decreasing, and non-wage labour costs are comparatively high. Even in comparison with other continental countries, Germany's performance is at best average. Like many other continental countries, Germany faces the dilemma of an increasing inactive population which receives social transfers paid by a shrinking active population.

Labour markets are highly regulated by centralized trade unions and employers' organizations. Wages are standardized and wage dispersion is comparatively low (OECD, 1997a). At the same time, there is a vast sector of precarious work, exemplified in more than 5 million jobs earning less than DM630 a month. Minimum wages are laid down in collective agreements that cover about 80 percent of the workforce. Social transfer payments are coupled to social needs, so that claimants with a family and two children are entitled to transfers higher than the minimum wage in any economic sector (Deutsche Bundesbank, 1996: 65). Indirect labour costs and financial pressures on social security systems are consequently high.

The problem of low labour market dynamics can be observed in most continental European countries, but reform paths have been rather different. The failure of German governments to adopt more substantial reform programmes contrasts strongly with the reforms in some other European countries. In some countries, notably The Netherlands and Italy, tripartite agreements have initiated major reform processes (Ebbinghaus and Hassel, 2000); whereas German proposals to overcome the employment crisis by tripartite reform efforts have not been very successful. The attempt under the Kohl government failed in 1996. The centre-left government elected in September 1998 adopted the trade union proposal to institute the *Bündnis für Arbeit* (Alliance for Jobs), a tripartite forum. The aim was to prepare and discuss substantial policy reforms; but only piecemeal adjustments have been adopted in the area of labour market policy, early retirement and precarious employment relationships.

Moreover, the international agencies would not approve of most of the reforms that have been implemented, such as reversing the previous relaxation of employment protection in small companies, the increase in publicly funded employment schemes for young people, and new subsidies for early partial retirements. At the time of writing, no long-term structural reform has been seriously discussed.

This article seeks to explain why the German reform process has been slow and why the tripartite initiatives have not produced major policy changes. The German government has faced similar problems to those of other countries which have commenced or resumed tripartite concertation, but at a much later time. When the German economy faced a severe economic crisis in the mid-1990s, the government turned to concertation; but the structure of political decision-making turned out to be prone to incremental adjustment, in line with past policy patterns. This inhibits an explicit political exchange that breaks substantially with past behaviour. Compared to other countries where political exchanges were more successful during the 1990s, German public policy was institutionally constrained in its capacity to strike deals strategically.

The article is divided into four sections. In the first, the *Bündnis für Arbeit* is set against other experiences with tripartite concertation which can serve as a benchmark. The second section looks at the theoretical debates on the emergence of successful tripartite concertation. In the third, the process of emerging tripartism in Germany is traced from the initiative in 1995 to the current situation. The conclusion recapitulates the argument and puts it in the context of political exchanges.

Social Pacts in Europe and the Position of Germany

In all Member States of the European Union, parallel processes of adjusting employment regulation can be observed since the mid-1980s. Governments reacted to two major developments: the increasing pressure to meet the convergence criteria for Economic and Monetary Union (EMU), and increased financial pressures on national social security systems.

After the stagflation of the 1970s, most European governments entered the 1980s with a much higher level of public debt and unemployment than in the 1960s. Keynesian principles had prescribed deficit spending as a suitable instrument to overcome economic downturns, but the expansion of welfare spending during the 1970s coincided with fast rising unemployment. Reduced revenues and increased welfare spending contributed to the rise of public debt. Moreover, increased transfers to those out of work started to foster labour market rigidities. On top of high rates of unemployment which developed after the first oil shock, long-term unemployment became a widespread phenomenon in western Europe during the 1980s.

Two other developments put further pressure on governments. First, the shift toward conservative monetary policy initiated by the Bundesbank in 1974 spread throughout Europe in the 1980s; while successfully containing inflation, this drove up interest rates and further increased government spending on unemployment and debt. And, second, the liberalization programme central to the Single European Act gave those countries which could flexibly adjust their labour market regulation toward further economic openness and privatization a comparative advantage. At the beginning of the 1990s, with the prospect of EMU already in sight, most governments were under severe pressure to exert budgetary restraint and to restructure labour market regulation.

Strikingly, and probably because of the much harsher economic climate and increased regime competition, there has been no major debate about the principal direction of adjustment of national employment regimes to EMU. The elements of institutional redesign are roughly the same in *all* Member States: wage restraint, more flexibility on the labour market and in pay systems, and greater incentives to take up employment. All EU Member States have pursued such policy initiatives to some degree, irrespective of the parties in government or the strength of organized labour.

Moreover, these policies have been the core of the debate on employment policy at the European and international level since the beginning of the 1990s. The Delors White Paper *Growth, Competitiveness and Employment* insisted that far-reaching reforms were required, but not just deregulation. 'We need a new, sensible and simple system of regulation and incentives on the labour market,' the Commission stated (EC, 1993: 150). The OECD *Jobs Study* (1997b) recommended the main institutional elements of reform: flexibility, more differentiation in pay, and incentives to take up employment. But while the general direction of reform has been similar in all countries, the process of implementation has varied widely across the OECD and the EU, in particular with regard to the role of the social partners. Governments have adopted two main approaches, either cooperating with the social partners to negotiate reforms or opting to deregulate the labour market unilaterally. Those countries where governments have deregulated and decentralized collective bargaining systems against the resistance of trade unions had already started the process in the early 1980s. This was notably the case in France and the UK, where even the centre-left governments of the 1990s have neither sought nor achieved major cooperation with the trade unions.[1] Those governments which had not abandoned dialogue with trade unions and employers during the 1980s sought concertation in the 1990s. In some countries, such as Denmark, this was based on existing informal cooperation without leading to new formalized agreements. In a range of other European countries, new formal tripartite agreements were reached. In some European countries, tripartite agreements have been negotiated, but not successfully implemented (see Table 1).

There have been successful social pacts, in the sense of constituting stable agreements, since the mid-1980s in countries such as The Netherlands, Italy and Ireland. In other countries, for example, Belgium, attempts to reach similar agreements failed. In all these cases, negotiations were prompted by alarming public deficits and rising debt levels. Governments were very concerned over public-sector pay and sought settlements with the unions which would allow them to put a ceiling on public expenditure.

Negotiations for a social pact in Germany began relatively late. This was mainly because the German government did not face the same macro-economic constraints as the high-debt countries. Figure 1 compares German debt-GDP ratios and unemployment levels with the EU average. Whereas the average debt level of Belgium exceeded 100 percent, and in Ireland and Italy stood at 98 and 80 percent respectively, Germany did not have a major public debt problem until the 1990s, when unification put massive pressure on public expenditure. Between 1992 and 1995, debt levels in Germany rose by 20 percentage points and reached a peak of 66 percent in 1996, exceeding the Maastricht convergence criteria.

Unemployment in Germany was below the EU average until 1996, by almost 3 percentage points in the early 1990s. But there was no recovery after the recession of 1992 and 1993; unemployment levels continued to rise, particularly in the eastern *Länder*. Here again the comparison with countries with early social pacts is striking. The average unemployment level in Belgium and Ireland was in double digits in the 1980s, while Italy and The Netherlands were near the 10 percent mark; whereas, in Germany, the average in the 1980s was 6.7 percent.

When reacting to a worsening macro-economic situation, governments turned toward wage discipline, for multiple purposes (Hassel and Ebbinghaus, 2000). First, wage restraint would alleviate budgetary pressures since most public-sector pay was tightly linked to private-sector wage bargaining, as were transfer payments such as unemployment benefits and pensions. A prolonged period of restraint on wages would also help to stabilize the macro-economic environment and to keep interest rates down. Since inflation prevention had become the main occupation of central banks, moderate wage developments could thereby help save jobs. This problem was particularly relevant in those countries, such as Belgium and Denmark, where wage bargainers did not respond to the central banks' signals of monetary policy (Scharpf, 2000). And, third, wage restraint would improve the competitiveness of private business in an increasingly internationalized market.

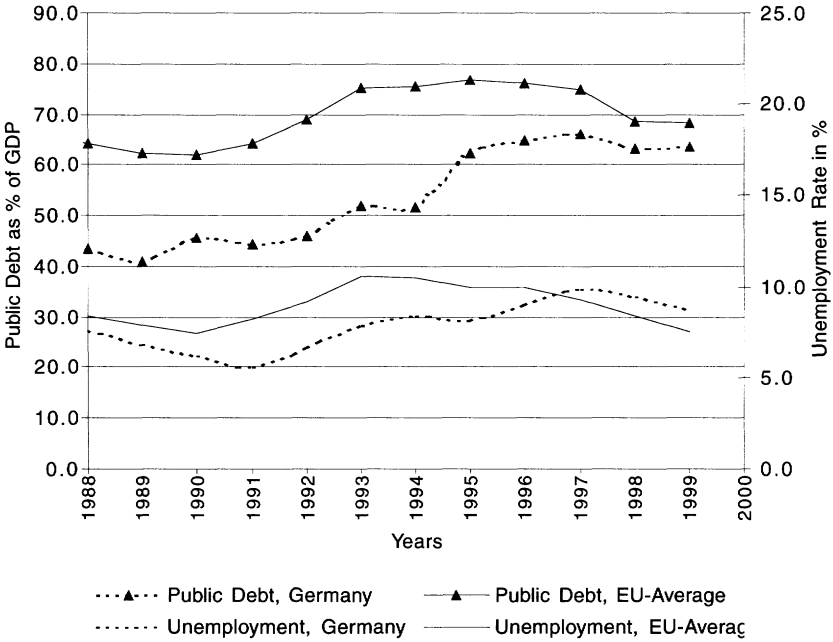
But here again, until the mid-1990s Germany was in a comparatively favourable position. Long-term wage restraint has been a feature of its

TABLE 1. Social Pacts in Europe

Country	Year	Name
Successful social pacts		
The Netherlands	1982	Agreement on 'generally binding recommendations on employment policy issues' (*Wassenaar*)
	1990	More Jobs for Ethnic Minorities
	1993	A New Direction: Agenda for Collective Bargaining 1994
	1997	Agenda 2002
Ireland	1987	Programme for National Recovery
	1990	Programme for Economic and Social Progress
	1994	Programme for Competitiveness and Work
	1997	Partnership 2000 for Inclusion, Employment and Competitiveness
Italy	1992	Tripartite Agreement on the Abolition of the Sliding Scale (*scala mobile*)
	1993	Ciampi Protocol: Agreement on Labour Costs of 23 July 1993
	1996	Employment Pact (*Accordo per il lavoro*)
	1998	Social Pact for Growth and Employment
Denmark	1987	Agreement between the Social Partners
Finland	1991	Stability Measures
	1995	Social Pact
	1998	Social Contract
Failed social pacts		
Greece	1997	Pact for Competitiveness (not signed by small and medium-sized enterprises)
Portugal	1996	Short-term Tripartite Agreement (*Acordo de Concertado Social de Curto Prazo*) (not signed by CGTP)
	1997	Strategic Social Pact (*Acordo de Concertação Estratégica*)
Belgium	1993	Global Plan (no agreement reached)
	1996	Negotiations on an agreement about the future of employment (no agreement reached)
	1998	Cross-sectoral collective agreement (only achieved after legal intervention)
Germany	1996	Alliance for Jobs and Prevention of Plant Closures (no agreement reached)
	1998	Alliance for Jobs, Training and Competitiveness
Sweden	1999	Growth Pact (*allians för tillväxt*) (no agreement reached)

Source: Ferner and Hyman, *European Industrial Relations Review* and *EIROnline*, various issues, 1998.

FIGURE 1. Unemployment and Debt Ratios in Germany Compared to EU Average, 1988–99

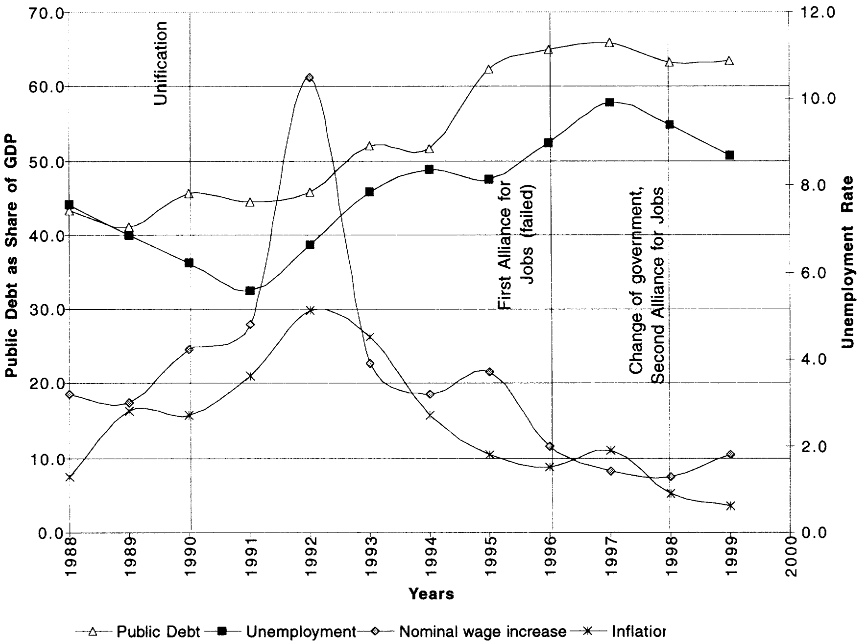


Source: Own calculations from *OECD Economic Outlook*, various years.

bargaining system ever since the Second World War (Flanagan et al., 1983; Streeck, 1994). But as can be seen from Figure 2, nominal wage increases seemed out of control in the unification boom of the early 1990s. The dramatic rise in 1992 was only partly due to the lifting of wage levels in eastern Germany; it also reflected an exceptionally large wage settlement in western Germany. The recession between 1992 and 1994 brought wage increases down to the European average; but the competitive advantage of much lower wage settlements had been lost, while the German government now faced the same pressures from public-sector pay which had confronted many other European governments since the early 1980s.

In response to macro-economic stringency, however, governments have generally moved beyond wage restraint to wider areas of institutional design of labour markets, pay formation and social security systems. In particular, the funding and expenditure of social security schemes came under scrutiny in almost all countries, as did regulation of temporary work agencies, part-time work and redundancy protection. Obviously, employment creation and higher activity rates help to tackle debt and budget deficits. While during the 1970s and 1980s, many governments sought to remedy high unemployment levels by a

FIGURE 2. German Macroeconomic Indicators, 1988–99



Source: Own calculations from *OECD Economic Outlook*, various years.

reduction of labour supply through early retirement measures, these have come to be seen as unaffordable. Low participation rates among older workers have turned into a problem rather than the solution. In all Member States of the EU at least one of these policy fields was subject to major reforms, but frequently several or all of them were reformed.

To conclude, governments have turned to tripartite agreements when trying to tackle the increasing problems of mounting public expenditure under harsher macro-economic conditions. From the mid-1990s onward, Germany faced similar problems to those of countries which had earlier experimented with tripartite agreements under conditions of austerity. When facing these problems, the German government reacted in a similar manner by turning to tripartite talks. The question remains why tripartite negotiations have had only limited success in Germany. This is related to the capacity of political actors to strike political exchanges.

Capacity to Act: Political Exchanges on Welfare Reforms

The main debate in the literature on 'successful' tripartite concertation concentrates on the willingness and capacity of governments to impose reforms. It has been argued that where it is clear that the government will impose reforms unilaterally if necessary, it is more sensible for trade unions to bargain over these reforms than to reject them outright (Regini, 2000; Van Wijnbergen, 1999; Visser, 1999). The best example is the 1982 Wassenaar Agreement in The Netherlands. The Dutch system had traditionally been based on consensual change, which inhibited radical transformation of the welfare and labour market regime; but a major economic recession, a change of government to the right and an explicit threat to intervene unilaterally led to a U-turn in Dutch collective bargaining (Visser and Hemerijck, 1997).

The German political system has been notorious for creating blockages rather than allowing bold policy initiatives. Its main features have been described as 'semisovereign' (Katzenstein, 1987), 'overlapping policy networks' (Lehmbruch, 1997) or as institutional 'joint-decision traps' (Scharpf, 1997). In contrast to many other countries, German governments are dependent on bargaining with the federal *Länder* on the one hand and on the consent of major interest associations on the other. Policy changes are usually incremental and require lengthy negotiations at different layers of decision-making; outcomes frequently involve package deals and sometimes dubious compromises. As a consequence, the German government has been described as 'weak', and interventionist threats as unconvincing (Van Wijnbergen, 1999). From this perspective, the German case is, therefore, particularly unsuitable for tripartite concertation.

However, in interpreting other European experiences of tripartite concertation, the role of political and labour market institutions is not clearly developed in the literature. For instance, there are examples where governments were determined to impose reforms (and actually did so), whereas the trade unions continued to protest fiercely rather than negotiating. For example, the Belgian government has tried to negotiate a tripartite agreement with the trade unions and employers' confederations on at least five occasions since 1982 (Hemerijck et al., 2000). In 1989, 1993 and 1996, negotiations failed through opposition by the unions (Pochet and Arcq, 2000). On each occasion, the government implemented its proposals by law without the agreement of the trade unions.

Dutch and Belgian political and labour market institutions display more similarities than differences. In both countries, tripartite institutions have played an important role in the postwar period, while trade unions have close links to Christian-democratic and social-democratic parties and are heavily involved in the administration of social security systems. Despite these similar institutions, the trade unions reacted very differently to the emerging crisis of the 1980s.

Therefore, the explanatory power of politico-institutional factors for the emergence of successful tripartite concertation is far from clear. A union may refuse to cooperate despite the determined position of the government for reasons which are the mirror image of those impelling the government to pursue concertation. If governments seek agreement to increase the public legitimacy of a potentially unpopular initiative, trade unions may find it more beneficial to mobilize protest so as to avoid sharing the blame.

Second, trade unions that are incorporated in the administration of social security systems may be anxious to moderate government reform proposals. This may create an incentive to negotiate over a tripartite agreement; but they may consider their bargaining position stronger if they vigorously oppose the reform as long as possible. Thus government willingness to impose reforms might be a necessary, but not a sufficient, condition for gaining trade unions' acceptance.

The crucial variable impelling acceptance by trade unions of government policy which potentially hurts their core constituency is the capacity of governments to threaten *convincingly* the unions' position in the political system, rather than merely its capacity to push through its reforms unilaterally. From this, it follows that the dynamic of political exchanges on social policy reform lies in the interaction between the potential of the state to intervene in the sphere of responsibility of labour market organizations and the potential of the labour market organizations to respond or to resist. An interventionist government cannot force associations to cooperate if these are insulated securely enough to weather the storm. The capacity of a political system to facilitate political exchanges on welfare reform between governments and labour market associations has, therefore, to be analysed with respect to the capacity of all major actors to interact strategically, and not merely the capacity of the government to impose. In analytical terms, the focus has, therefore, to shift to the underlying organizational and institutional factors which determine the interaction between governments and associations.

In part this interaction is shaped by the design of each specific political system: the existence of significant 'veto points' (Immergut, 1993) and the dynamics of electoral and party-political pressures (Pierson, 1996) affect the balance of power between government and unions. Moreover, it is also likely that the organizational basis of labour market associations will systematically influence a government's capacity to strike tripartite agreements. In particular, intra-class and inter-sectoral cleavages on the side of labour or capital can pose important barriers to political exchanges, for three reasons. First, where relatively autonomous collective bargaining at sectoral level predominates, tripartite agreement over macro-economic and welfare policy issues is inhibited because the procedures for gaining legitimacy and organizational strength are shaped by the sectoral logic. For this type of interest organization, the importance of negotiations with government rests on their impact on sectoral relations. Second, where sectoral associations have not conceded political decision-making authority to their umbrella organizations, peak-level negotiations can be riddled by jurisdictional conflicts. Third, in many countries, institutional change of industrial relations systems can be traced back to intra-class and inter-sectoral conflicts (Iversen, 1996, 1999). Where inter-sectoral conflicts cannot be mediated by powerful umbrella organizations endowed with decision-making rights on behalf of the member organizations, the potential for peak-level political exchanges is severely limited. In the following section, I show that this was indeed the case in Germany, and that the government had to find a way of dealing with inter-sectoral conflicts within the framework of tripartite negotiations.

The Emergence of Tripartism in the Reform of the German Welfare State

It is not the aim here to describe in detail the *Bündnis für Arbeit* (for an overview of the failed first attempt, see Bispinck (1997), and for a more extensive account of the second Alliance for Jobs, see Bispinck and Schulten (2000)), but rather to set German experience in comparative perspective. The impetus to political exchange came from the president of *IG Metall*, Klaus Zwickel, at the union's congress in November 1995. He proposed a wage increase for 1997 in line with inflation, and acceptance of lower initial wages for the long-term unemployed who were offered employment. In exchange, the government should refrain from further welfare cuts and encourage companies to improve training provision; and employers should create 300,000 more jobs and 5 percent more training places, and should undertake not to make employees redundant for business-related reasons. From the very beginning, the Alliance for Jobs was thus a sectoral initiative.

The proposal provoked heated discussion within the union confederation DGB, but quickly found favour with public opinion and policymakers. It became the main topic in the monthly *Kanzlergespräche* (Chancellor's discussions), a forum introduced after German unification in which the government invited trade unions and employers' confederations for an informal exchange of opinions (Lehmbruch, 2000). The outcome was a long catalogue of reform proposals, ranging from tax reforms to research and innovation, education and training, planning permission, and labour market and social policy. Agreement was rapidly reached between the three sides on replacement of the previous very popular, but expensive, early retirement scheme, which had expired in 1988, and in July 1996, the government introduced new legislation on this issue (*Altersteilzeitgesetz*).

Parallel to the Alliance talks, however, the government pursued changes in the welfare regime through parliamentary-route reforms. At the end of January 1996, it published a 50-point programme entailing a range of welfare cuts and labour market deregulation. Three important *Land* elections took place in spring 1996; in all three, the liberal party (FDP), the junior coalition partner, gained unexpectedly good results, while the opposition social democrats (SPD) lost ground. With a strengthened liberal party, which was traditionally suspicious of corporatist policy-making, the government increasingly pursued its own agenda. In the next round of *Kanzlergespräche* in April 1996, it proposed to decouple benefits from wages, reduce health benefits such as spa holidays, and extend fixed-term contracts to 24 months.

Despite fierce protests from the unions, the government remained firm and in September 1996, presented to parliament those parts of the economy package which did not require the consent of the Bundesrat (upper house), where the SPD held a majority. The unions pulled out of the *Bündnis*[2] and began a campaign of opposition, which received parliamentary support from the left and moral support from the churches. In the next collective bargaining round, the trade unions focused on forcing employers to continue to provide sick pay at full wages, as the law previously required, rather than at 80 percent as was now permitted. In this way, they prevented through collective bargaining a key element in the government's changes; and many other items in its cuts list were later reversed or reformed by the new government, which was elected in September 1998.

The initial proposal of *IG Metall* to exchange wage moderation for employment promises by the employers was never seriously discussed within the *Bündnis*. Employers' federations quickly pointed out that they could not make any commitment on job creation on behalf of their members, and that a prohibition of business-related redundancies was not workable. Nevertheless, the 1997 collective bargaining round resulted in moderate wage agreements. Moreover, at plant level, companies increasingly negotiated longer working time and lower fringe benefits with their works councils in exchange for promises on investment. After 1993, unit labour costs in German manufacturing fell faster than in other European countries, so that companies' interest in the *Bündnis* was very limited. From then on, employers used the tripartite forum mainly to pursue their own interests, such as tax cuts.

The Schröder government relaunched tripartite concertation soon after it took office in September 1998. At the first meeting in December 1998, it presented a list of 11 major topics to be dealt with within the tripartite negotiations; compared to the 1996 programme, the agenda was both shorter and closer to the interests of the trade unions and employers' confederations. Despite the much more institutionalized set-up of the

Bündnis and the higher level of public attention compared to the first initiative in 1995, there has been no agreement on a major substantive reform proposal, nor has there yet been any form of political exchange between the actors. The main discussion again focused on the extension of early retirement.

The government enacted a number of measures related to the *Bündnis* agenda, first addressing the interests of the unions and then of the employers. In April 1999, it introduced a new environmental tax which allowed a reduction in payroll taxes and thus lower non-wage labour costs. It also repealed some of the legislation of the previous government which weakened employment protection in small firms, and extended social security coverage to precarious employment. In a second measure, the government considerably lowered tax rates for companies.

The employers and unions themselves have approved rather vaguely worded policy documents on the role of wage bargaining. Officially, both sides strongly disagreed on the impact of wages on employment. Neither side has conceded any issue of principle, apart from grudgingly accepting legislative changes in favour of the other side. The first and most contentious issue again focused on early retirement. The unions, led again by *IG Metall*, proposed reducing the normal retirement age to 60 (*Rente mit 60*). This was to be financed by a wage fund to which employers and employees would each pay 0.5 percent of gross wages. In exchange, *IG Metall* offered wage restraint for several years. The employers, however, rejected a lower retirement age and any individual right to early retirement as a matter of principle. The government initially attempted to broker a compromise, but after finding that there would be additional costs on public finances the chancellor sent the associations away to find a solution in the next collective bargaining round.

Behind the scenes, a deep political conflict developed between the two major sectoral unions. While *IG Metall* publicly campaigned for a reduced retirement age, the chemicals union, IGBCE, had already agreed to more modest improvements in early retirement legislation. To this end, the union signed an agreement in March 2000, two months before the collective agreements for the chemicals sector expired and well before serious bargaining over early retirement could commence in the metal sector. A moderate wage increase was accompanied by employer agreement to improved provisions for partial early retirement. The agreement also entailed a modest private savings scheme subsidized by employers, an initiative at the heart of the government's pension-reform plans. The deal, widely viewed as designed to cut the ground from under *IG Metall*, allowed the government in March 2000 to publish new legislation on early part-time retirement, and *IG Metall* then accepted a similar, but less generous, agreement for the metal sector.

Early retirement is not only one of the most serious illnesses of

TABLE 2. Two Alliances for Jobs

Bündnis für Arbeit und Standortsicherung (1995–96)	
November 1995	*IG Metall* offers wage restraint in exchange with welfare and jobs guarantees
January 1996	Meetings with the government (*Kanzlergespräche*) leads to a list of measures; at the same time, the government proposes welfare cuts in its Annual Economic Report
February 1996	New part-time retirement agreed in meeting with the government
March 1996	Three *Land* elections (FDP gains unexpectedly)
April 1996	Government proposes welfare cuts at meeting. Unions pull out. Moderate wage round
Bündnis für Arbeit, Bildung und Wettbewerbsfähigkeit (1998–)	
September 1998	Change of government
December 1998	First meeting of tripartite talks agrees on topics
January 1999	Government reverses a number of Kohl government welfare cuts
Spring 1999	Above average wage round
April 1999	Eco-Tax introduced to finance lower social security contributions; new programme for young job seekers
December 1999	Tripartite meeting fails to agree on wages and early retirement
January 2000	Government declares decision on wages and early retirement as collective bargaining issue
Spring 2000	Moderate wage settlements and further extension of part-time early retirement legislation

continental welfare states, but also a scheme which has been in the past highly favourable to both sides of industry at the expense of payroll taxes (Ebbinghaus, 2000; Oppen, 1997). After the public subsidies for generous early retirement schemes had dried up in the late 1980s, employers' confederations and trade unions have had a vivid interest in reactivating government funding for the still ongoing practice of laying off elderly workers. Both sides, therefore, have initially and so far foremost tried to use the *Bündnis* as a new way of funding these schemes. Other topics on the list have not been addressed by the associations, unless the government has acted unilaterally and paid for them. From a public policy point of view, the Alliance for Jobs has, therefore, delivered very little progress on welfare reform (see Table 2).

At the same time, both new and the old governments have tended to keep the *Bündnis* separate from the parliamentary reform process, pursuing reforms simultaneously in both arenas. In the first Alliance, this led to collapse, since the unions would not accept the legislated changes. In the second, the government started to pursue its own pension reforms after the 2000 collective bargaining round had finished. Also, the government pursued a fall-back solution based on its parliamentary majority, rather than consensus with the associations. Pension reform is a parliamentary process in which the labour market associations can lobby the government, but is not a subject of the *Bündnis* talks. Unlike the social pacts in The Netherlands and in Italy, the German government has not been able to set the agenda of the *Bündnis* and to force associations to accept concessions, but has invited them to a forum where they could formulate their demands. As a response to the lack of concessions by the associations, the government relied on the parliamentary process as an alternative route to reform.

On the other hand, the seeming success of locking the 2000 collective bargaining round into the framework of the *Bündnis* has made it more difficult for associations to exit the Alliance. In particular, the union and employers in the chemical sector have more or less openly colluded with the government to undermine the political position of *IG Metall*. These agreements were obviously not found in the framework of the *Bündnis*, but in informal talks between the chancellor and the head of IGBCE, Hubertus Schmoldt. Rather than using the *Bündnis* as a forum to reach tripartite consensus, it is a device for integrating the associations into government policy *without* bargaining over reform policies, by reaching small deals in corridors. The resulting loyalties and cross-class alliances can be used by the government to get the associations on board when dealing with the equally complicated structure of federal decision-making in the area of social policy and pension reform.

This procedure could potentially become a valuable instrument for the government, which in the German political system is not only blocked by strong labour market associations, but also by a complicated system of co-decision-making between central government and the *Länder*. Most of the new legislation in the area of welfare and employment has to be approved by the Bundesrat in which the ruling parties (SPD and Greens) do not have a majority (as was the case, in reverse, for much of the time of the Kohl government). Therefore, the government has to find a compromise on important matters with the conservative opposition party, the CDU. If the labour market associations are already in line with government policy, one or other can put considerable pressure on the opposition party via their established links. For instance, the Federation of German Industry (BDI) has been lobbying the CDU to accept the government's tax reform.

With regard to the dynamism of the political exchange, the nature of sectoral collective bargaining in Germany, in which the first agreement by a major trade union sets the trend to be followed by the rest, has been used successfully by the government and the chemical trade union and employers to force *IG Metall* to abandon its position. IGBCE was in a position to do so since it had pursued an active early retirement policy for a long time and already had generous collective agreements on the issue.

Political Exchanges in Complex Governance Systems: Success and Failure of the Alliance for Jobs in Comparative Perspective

Considering the substantial reform pressures on the German welfare state, the results produced by tripartite concertation during the period 1995–2000 are not far-reaching. Tripartite bargaining has led to new welfare programmes for the young on the one hand and to tax cuts on the other hand. Structural reforms of the welfare and employment systems, in particular labour market and pension reforms, have not been touched upon during the first two years of the new *Bündnis*. The delegation of governing functions by the government to the collective bargaining arena has led to further subsidies for early retirement schemes; thus, tripartite concertation has enabled labour market associations to continue to use social security funds to externalize costs onto the taxpayer. This pattern of adjustment resembles the development of the Dutch welfare state in the second half of the 1980s, before the government curtailed the self-administration of social security systems by the social partners (Visser and Hemerijck, 1997).

The other contributing factor to the slow development of policy reforms has been attributed to the complex bargaining arrangements in which political actors have to interact with labour market associations across a range of policy fields. Government inability to force the associations into political exchange is due less to the lack of political skills in the red–green coalition than to the institutional endowments of the German political system, which are not prone to support those deals. Labour market associations can forcefully protect their autonomy in the field of wage bargaining, and the capacity of the government to oblige them to change their behaviour is very limited.

The German example provides two major insights into the logic of political exchanges in advanced welfare states. First, it shows that the capacity of government to impose reforms cannot be the sole factor in explaining political exchanges. During the first Alliance for Jobs, trade union support waned because the government imposed a range of legislated changes. The Alliance fell apart because the government was able and willing to impose a range of measures on welfare reforms, including a comprehensive pension reform. Because of the threat of imposition, the trade unions were not willing to continue participating in the talks. The government went ahead with the changes, but the unions staged massive protests and were able to undo some of the effects via collective bargaining, and the conservative–liberal coalition (almost certainly because the conflict cost it public support) lost the election soon afterwards. During the second attempt at the Alliance no imposition has been threatened by the government. Rather, it has chosen an indirect strategy by supporting IGBCE in reaching a pioneer agreement which undermined the position of its rival *IG Metall*. Within the narrow limits of the reform agenda for the German welfare state, this indirect approach has been tactically more useful than a bold confrontation against the largest and strongest trade union. Therefore, the government's tactic of small steps with unclear effects might well be the most viable reform strategy in a political system with numerous veto positions by both labour market associations and opposition parties.

The German case also provides some empirical evidence for the insight that there are systematic reasons to believe that intra-class and inter-sectoral cleavages can pose important barriers to political exchanges. The heads of the peak associations are not in a position to make concessions to the government, but are bound by the sectoral association leaders. The two most powerful trade unions are, however, in strong disagreement over welfare reforms. In Italy, The Netherlands and Ireland, concertation was based on associations in which the decision-making power rested primarily with the national peak-level presidents of the organizations, who could normally oblige their sectoral chairs to accept an agreement (Regini and Regalia, 1997; Visser and Hemerijck, 1997). On the other hand, accounts of the Swedish failure to strike an employment accord in November 1998 point to conflict between the mainly public-sector, white-collar organization (TCO) and the private-sector, blue-collar union (LO) as the main contributing factor (Stephens, 2000).

As employment and welfare reforms take place in complex governance systems which not only cover several distinct policy fields, but also associational and governmental political actors, success and failure of concertation seem to depend on very particular actor constellations and institutional frameworks. In particular, the legacy of past corporatist traditions of policy-making tends to influence the problem configuration, because corporatist traditions have usually created a legacy of strong veto points for labour market associations. Rather than enabling associations to perform quasi-public policy functions as in the past, today, these structures inhibit governments from reforming social and labour market policy. This legacy does not, however, provide a sufficient explanation for the potential for concertation for welfare reforms. Here, the interaction of the organizational interests of labour market associations and the hierarchical decision-making potential of national governments are the crucial determining factor for success.

NOTES

1 The exception was the tripartite summit organized by the Jospin government for the implementation of the working-time law of 1997; this was, however, unsuccessful since the employers left without reaching an agreement.

2 However, the unions continued to participate in *Bündnisse* at regional (*Land*) level and signed a number of agreements in both western and eastern Germany.

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