

# EMPLOYMENT AND TRAINING PAPERS

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### The role of the social partners in the design and implementation of active measures

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## Foreword

This paper examines the forms of involvement of the social partners in formulating and implementing active labour market policies (ALMPs). The study begins with a summary on the role of the social partners in the design and implementation of active measures, followed by four national case studies for France, Germany, the Netherlands and the United Kingdom. In a separate section, a quantitative analysis is added to establish a statistical relationship between patterns of industrial relations and levels of expenditure on ALMPs in OECD countries.

Two principal channels of influence of the social partners have been identified in this study: first, general political influence, a salient feature in particular for countries with corporatist industrial relations, and second, influence through tripartite participations in the management of public employment services. In addition, the authors briefly review other possible channels of influence of the social partners through the organization of training and employment programmes and through collective bargaining.

The authors acknowledge that these two most important channels of influence of the social partners have been weakened for two reasons. First, generally speaking the institutions of corporatism are less influential than in the past due to the globalization of production and the declining influence of trade unions. Next, the principle of independence of public employment services has been eroded by increased interventions of governments due in part to resource constraints of the employment service agencies.

By examining the public employment services of four Western European states in detail, the authors come to the following conclusion: rather than the institutionalized form of participation by social partners in the administration of public employment services *per se*, the presence of cooperative social dialogue and partnership in corporatist institutions on the societal level is the key to facilitate the effective design and implementation of ALMPs. Such a cooperative culture of industrial relations is deeply rooted in national traditions. While it is more difficult to build up and sustain effective ALMPs under the tripartite framework in countries with no tradition of social partnership, efficient tripartite involvement in policy making and in the implementation of ALMPs itself might promote social partnership and corporatist structure in the long run.

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## **I. Comparative report: The role of the social partners in the design and implementation of active measures**

### **1. Introduction: The "social partners" and active labour market policies<sup>1</sup>**

The terms "social partners," i.e. employer and employee representatives, and "social partnership," i.e. the (idealized) co-operative relationship between them, are frequently encountered in the industrial relations literature and policy discussions. Although the terms themselves are apparently of Austro-German origin,<sup>2</sup> the ideas behind them are certainly found more or less strongly represented in other countries as well. "Social partnership" as a philosophy for dealing with social conflict between capital and labour has diverse intellectual roots in late 19th and early 20th century ideological currents in Europe, especially in Catholic social theory, e.g. *Rerum Novarum* (1891) and *Quadregesimo Anno* (1931), reform liberalism, and reformist wings of the trade unions and socialist parties. In contrast to laissez-faire liberalism, the philosophy of "social partnership" advocated recognition of workers' rights, including the right to trade union organization, and co-operative industrial relations in collaboration with workers' representatives. In contrast to socialist and Marxist protagonists of class conflict and revolutionary change, advocates of social partnership strove for an accommodation of the interests of capital and labour and for constructive reform.

In more contemporary terms, conflict between capital and labour is not regarded as a zero-sum game, in which one party gains only at the expense of the other, but as a positive-sum game in which both parties stand to gain from co-operative solutions (or both might lose as a result of non-cooperative behavior). The common interest of the social partners is in the economic prosperity of the firm, industry or national economy at the micro, meso and macro levels respectively. Interest conflicts pertain primarily to the terms of the 'partnership,' i.e. distributional issues (wages and benefits) with respect to the co-operative gain. Moreover, an important premise of "social partnership" is the right of employees to form unions to represent their interests, which still has not been universally achieved. State regulation plays of course a constitutive role for the interest

<sup>1</sup> This exploratory study is based on literature reviews, policy surveys, organizational analysis, and expert interviews in the case study countries. The study was commissioned by the International Labour Organization (POLEMP) in Geneva as part of its ongoing research in the area of labour market policy. The authors would like to thank especially Peter Auer (ILO), who initiated the project, N. Phan-Thuy (ILO), and Günther Schmid (WZB) for helpful comments and assistance. Thanks are also due to all the participants at the ILO Workshop on "Labour Market Policy Issues and Evaluation" December 4th & 5th 1997 in Geneva. The authors alone are responsible for the contents.

<sup>2</sup> Even in the industrial relations literature this terminology is primarily encountered in continental countries, especially Austria, Germany and the Netherlands, and is not firmly established in the English language literature. A search of standard English sources such as the *International Encyclopedia of the Social Sciences*, the *Encyclopedia Britannica* or the *Oxford English Dictionary* yielded no entries under these terms. By contrast comparable German language sources (e.g. the *Handwörterbuch der Wirtschaftswissenschaften*) not only devote considerable space to these terms but also claim that the concept is of Austro-German origins and came into vogue there in the post-WWII period. This terminology is also frequently encountered in internal organizations where direct representation of the 'social partners' in policy deliberations is frequently institutionalized (for example, in the International Labour Organization and in the Economic and Social Council of the European Union).

**organizations of the social partners and for the industrial relations system; social partnership is in fact a ménage à trois.**

**Since this report is concerned with the role of the social partners in the design and implementation of "active measures," some remarks about the meaning of the latter term are appropriate. The term "active labour market policy," in contrast to "passive" labour market policy, has been widely disseminated in policy communities by the OECD, although it is not uncontroversial (e.g. Dayan 1995; Therborn 1985). Citing the OECD as the origin of the term, the ILO offers the following definition: "purposive, selective interventions by the government in the pursuit of efficiency and/or equity objectives, acting indirectly or directly to provide work to, or increase the employability of people with certain disadvantages in the labour market." The OECD includes the following categories of labour market policy expenditure as active policies: 1) Public employment services and administration; 2) labour market training for unemployed and employed adults; 3) youth measures; 4) subsidized employed (e.g. wage subsidies and direct job creation); 5) measures for the disabled.<sup>3</sup>**

In examining the role of the social partners with regard to active labour market policies, it is useful to distinguish four different channels of influence:

1. Corporatism: The special role of the organizations of the social partners in the political decision-making process, especially with regard to economic and social issues that affect them. Like other societal actors, the social partners participate in and exercise influence through the general political process. In many countries the organizations of the social partners have a special relationship with government with respect to policy making on economic and social issues, which has been analyzed in political science under the heading of "neo-corporatism." Corporatist patterns in wage bargaining and their impact on economic performance have been analyzed in industrial relations and economics (e.g. Appelbaum and Schettkat and 1997). This is not the place to enter into a detailed discussion of various definitions of corporatism in the recent literature. Suffice it to say that, in contrast to pluralist theory, the neo-corporatist approach stresses the importance of organized interests, especially the role of employers' organizations and trade unions, in regulating industrial relations and in policy-making (Marks et al. 1997; Traxler 1993).
2. Tripartism in employment services: Institutionalized direct participation in the formulation and implementation of labour market policies, especially in tripartite labour market authorities. In all OECD countries the social partners have some type of more

<sup>3</sup> It should be noted that active labour market policies are not identical with employment policies. Thus the OECD's strict definition of "active" policies: 1) Only includes government financed services and programmes and not the private sector, for example, employment policies at the firm and sectoral levels based on collective agreement, except insofar as they are publicly financed; 2) Only includes selective labour market interventions for the benefit of special categories of individuals and not general employment policy measures such as changes in taxation and social security contributions are not included. 3) Even excludes in principle public programmes to promote withdrawal from the labour market (e.g. early retirement for labour market reasons, short-time work), which are classified as "passive" labour market policy. 5) Does not include state aids to specific firms and industries (e.g. German coal industry), which are classified as industrial policy rather than labour market programmes.

or less formal role in the formulation of labour market policies. In some countries this takes the form of the establishment of advisory bodies to employment services or labour ministries, which is mandated by ILO convention No. 88, the "Employment Service Convention" of 1948. Article 4 of this convention stipulates that: "Suitable arrangements shall be made through advisory committees for the co-operation of representatives of employers and workers in the organization and operation of the employment service and in the development of employment service policy." These representatives "shall be appointed in equal numbers after consultation with representative organizations of employers and workers, where such organizations exist." The formal institutionalization of tripartism in the management of quasi-independent labour market authorities, i.e. a direct and permanent role for the social partners in the governance of the public employment service, is not mandated by the ILO convention and less common.<sup>4</sup>

3. Programme participation: An important dimension of the social partners in active labour market policies is their participation as providers or as sponsors of measures, for example, as training providers or as sponsors for job creation programmes in the private sector. Evaluation studies show that schemes in which private firms are involved, often yield better results in terms of employment performance, which suggests that involvement of private firms may be crucial to the success of ALMP schemes (OECD 1996; ILO 1998). In many countries enterprise-based active measures may require the co-operation or even approval of employee representatives as well.
4. Collective bargaining: Pursuit of labour market policy goals through collective agreements. Active labour market policy usually means public labour market policy, excluding per definition active policies on the basis of collective agreement. Nevertheless, public labour market policies may be linked to collective agreements, for example, programmes to promote reductions in working time or early retirement may be predicated on regulation by a collective agreement at the firm or industry level. Moreover, the social partners may themselves initiate policies by collective agreement to promote employment (e.g. reductions in collective working time) or the integration of problem groups (e.g. special entry wages for certain groups) at the firm or industry level.

Of the four principal types of influence of the social partners on active measures identified, this study focuses in particular on national experiences with tripartism in public employment services. To our knowledge this subject has never been systematically examined in a comparative perspective. The second major focus of the comparative report is on the impact of corporatist forms of co-ordination on labour market policies; which is investigated in an empirical study of the impact of social partnership on the level and composition of labour market policy expenditure in OECD countries. More detailed information on the role of corporatist forms of interest representation, tripartite employment service institutions, and the linkage to collective bargaining are reported below in the national case studies. The role of the social partners as programme participants (e.g. providers, sponsors) is beyond the scope of

<sup>4</sup>In a recent ILO report these two types of involvement of the social partners in policy-making are termed "consultative" and "collaborative" organizations respectively (ILO 1997).

this study.

## **Tripartism in public employment services**

### **2.**

#### **2.1 Organizational patterns of active labour market policy in OECD**

##### **countries**

The delivery systems for active labour market policies differ markedly across OECD states. Nine countries (Austria, Canada, Germany, Greece, Italy, Japan, Luxembourg, Norway, Spain) have fully integrated public employment services which are responsible both for active and passive labour market policy, i.e. for the main national active programmes (placement services, training, employment programmes) as well as for the administration of unemployment benefit (see table 1). Eight countries (Belgium, Denmark, Finland, Ireland, Netherlands, Portugal, Sweden, Switzerland) have partially integrated institutional regimes, i.e. the main national programmes for active measures are administered by a single local employment service agency. In four countries (Australia, France, the United Kingdom, United States) the delivery system for active programmes is fragmented in two or more agencies.

Almost one half (10 of 21) or five fully integrated and four partially integrated public employment services have tripartite self-administrations as does the placement service in the fragmented French delivery system. Moreover, there has been considerable change in recent years; both Sweden and the United Kingdom abandoned tripartism in the early 1990s while Austria and the Netherlands established quasi-independent employment services with tripartite self-management for the first time.

The role of the social partners in the organization of unemployment benefit should also be mentioned. In addition to their role in countries with fully integrated tripartite organizations as noted above, the social partners are responsible for the administration of unemployment benefits in France and the Netherlands and the trade unions alone in the Scandinavian countries (except Norway). It should be noted parenthetically that efforts in a number of countries to "activate" labour market policy, have led agencies responsible for unemployment benefit to initiate active programmes, which has further complicated the implementation structure for active policies (e.g. France, the Netherlands, Belgium).<sup>5</sup>

Among the four countries included in our study, Germany represents an example of a country with a fully integrated employment service responsible for both active and passive measures with a long and uninterrupted tradition of tripartism. The Netherlands is a country with a partially integrated employment service in which responsibility for administration of active and passive measures is divided between a tripartite public employment service and bipartite sectoral unemployment insurance funds. In contrast to Germany, direct involvement of the social partners in the administration of a quasi-independent labour market authority was first introduced in the Netherlands in 1991 and substantially modified in 1997. In the fragmented French institutional regime, not only is a separate organization, the bipartite UNIDEC, responsible for passive benefits but even responsibility for the implementation of active measures is divided between the labour ministry and its departmental offices, the public employment service (ANPE), and AFPA, the national training authority; both ANPE and AFPA have tripartite administrative bodies. In the United Kingdom the previous tripartite

<sup>5</sup> Peter Tergeist of the OECD called our attention to this trend.



labour market authority, the Manpower Service Commission, was abolished at the end of the 1980s, and responsibility for active measures was divided between the Employment Service and the privatized Training and Enterprise Councils, which are responsible for labour market training and for most active programmes except placement services.

## **2.2 Theories and expectations about tripartism**

Tripartism in employment service institutions can be regarded as a problem of institutional design. Should the social partners be given direct and privileged responsibility for labour market policy in tripartite labour administrations? We do not think that there is any general answer to this question that is applicable in all countries and under all circumstances. Nevertheless, a survey of national experience with this institutional form in labour market policy does shed light on the potential strengths and possible shortcomings of tripartism in labour market institutions. This section briefly summarizes five principal theories and expectations, both positive and negative, associated with the involvement of the social partners in tripartite employment service institutions. In the following sections, evidence on each of these topics or hypotheses is assessed based on evidence from our survey of national experience with tripartism in the case studies reported below.

1. Influence of the social partners on policy making: A principal expectation is that tripartite labour market authorities give the social partners real influence on labour market policy above and beyond that which they have through other more general forms of participation in the political process (e.g. party politics, lobbying) or a merely advisory role. As discussed below, the actual influence exercised by the social partners on labour market policy through tripartite institutions is in fact more limited than their formal role suggests.
2. Legitimation and lobbying function: Tripartism is assumed to increase public support for active measures because it is indicative of a broad consensus and represents a long-term and formalized commitment on the part of the powerful societal actors.
3. Multi-actor policy co-ordination: The inclusion of representatives of the social partners and other public organizations in PES governance is expected to facilitate co-operation and induce other actors to coordinate their own activities better with PES policies;
4. Internal conflict and deadlock: The number and diversity of the actors represented in PES governing bodies may make decision-making more cumbersome and in worst cases result in politicization.
5. Insider policies: A classical problem of the devolution of responsibility for government functions to private actors is that the social partners like other organized interests may not adequately reflect the public interest or even that of all their members.

**Table 1. Institutional regimes of active labour market policy in OECD countries, 1997**

	Fully Integrated	Partially Integrated	Fragmented	Total
Tripartite self-administration	Austria (since 1994) Canada Germany Greece Luxembourg	Belgium Ireland Netherlands (since 1991) Portugal	France	10
Ministry or other	Italy Japan Norway Spain	Denmark Finland Sweden (since 1991) Switzerland	Australia (since 1997) UK (since 1990) USA	11
Total	9	8	4	21

Sources: Compiled from OECD 1996; European Commission, Employment Observatory, MISEP Basic Information Reports and national sources. Notes: In fully integrated systems PES offices are responsible for unemployment benefit administration, placement services, and referral to active measures (training, subsidized employment etc.) whereas in partially integrated systems the main active measures (placement services, and referral to training, subsidized employment etc.) are integrated in the same agency but not unemployment benefit administration. In fragmented regimes responsibility for major types of active measures is dispersed in two or more agencies. No information is available for Iceland and New Zealand. Dates in parentheses refer to introduction or abandonment of tripartism in PES institutions.

### 2.3 The influence of the social partners on active policies

A formal role for the social partners in tripartite institutions does not necessarily mean a real influence on active policies. The influence of the social partners depends on the extent to which tripartite employment service institutions exercise real autonomy vis-à-vis the state and on the influence of the social partners within them. Our survey of experience with tripartism in four countries indicates that the parameters of labour market policy are clearly set by law and by government policy, which the social partners may influence through other political channels. Tripartite public employment service institutions play an important but clearly subordinate role in policy-making; their principal influence is rather at the level of policy implementation. There are of course important national differences in the role and influence of the social partners. This section presents a comparative overview and assessment of the influence of the social partners in four employment service regimes with tripartite institutions.

#### *The Netherlands*

In the Dutch Arbeidsvoorziening,<sup>6</sup> both the central and the regional boards of the new

<sup>6</sup>See Arbeidsvoorziening 1990, Moraal 1994, Dercksen and de Koning 1996, Visser and Hemerijck 1997 for accounts of the Dutch PES reforms.

labour market authority, which is formally independent of the labour ministry, are tripartite bodies. During the 1991-1996 period, the central board (CBA) consisted of three representatives of the national organizations of the employers and trade union and three state representatives (Ministry of Labour and Social Affairs, Economics Ministry, Education Ministry), while the regional (RBA) offices included representatives of employers, trade unions, and the municipalities. At both the national and regional levels a qualified majority of 2 representatives of each group in the tripartite board was required for substantive decisions, i.e. any group could veto a decision. The fact that the government had only three seats on the central PES board and the need for a qualified majority meant too that policy could not be dictated by the labour ministry.

The new labour market authority was intended to be completely independent from the Ministry for Labour and Social Affairs. This was reinforced inter alia by giving the new organization its own statutory budget, which was supposed to provide stable financing for a multi-year period. The autonomy of the regional PES offices was reinforced by placing them under the direct control of the tripartite regional employment boards without any hierarchical subordination to the national PES office. The central board and office merely formulated overall guidelines for labour market policy. The central board was authorized to issue a directive to the regional boards only if 6 of the 9 voting members approved such a measure; moreover, this extraordinary majority had to include at least two voting members from each group on the central board.

After an evaluation of the employment service in 1995, the Dutch cabinet endorsed a number of changes in the way tripartism is implemented. Most importantly, decisions in the future will not be based on qualified majority voting but a simple majority will suffice, i.e. the group veto was eliminated. Moreover, the board members will in the future be expected to hold office in the public interest and not as interest group representatives; an even stronger proposal in the evaluation report to limit social partners' right of nomination to persons not on the payroll of these organizations was not implemented. The government itself will no longer be directly represented in the central labour market board (CBA) but will nominate independent representatives of the public interest. However, a number of changes greatly reduce the independence of the PES and its regional offices in contrast to the previous structure: The supervisory role of the Ministry of Social Affairs with respect to policies and financing was strengthened, and the responsible minister may now issue directives to the PES. Furthermore, the PES central board is now required to confer on policies with the minister of social affairs, and its budget is subject to the annual appropriations process.

### *Germany*

The German Federal Employment Service (Bundesanstalt für Arbeit; BA) is the product of a long tradition of tripartism in labour market institutions and of social partnership in industrial relations. It is a self-governing body incorporated under public law that is responsible for both active policies (placement, vocational counseling, labour market training and other active programmes) as well as for the administration of unemployment benefits. Its self-governing organs have a tripartite structure with equal representation of employees, employers and public bodies (Federal and Land Governments, and local governments). This principle is applied both at the national level of its Governing Council (Verwaltungsrat) and Executive Board (Vorstand) as well as at the level of the regional and the local employment

offices with their tripartite administrative committees (Verwaltungsausschüsse). Representatives of the social partners are appointed on the basis of nominations from employers' and trade union organizations at the respective levels (§195 AFG).<sup>7</sup>

The BA's tripartite Council and Executive Board play an important role in the selection of principal BA officers. The presidents and vice-presidents of the BA and of the Land regional labour offices are nominated by the Federal government and appointed by the Federal President. However, the Federal government is required to consult with the BA's tripartite governing Council before making nominations and may deviate from its advice only for "serious reasons." Other top officials of the BA are nominated by the BA's executive board. (§211 AG).

The Council enacts the statutes of the BA and issues decrees and regulations within the scope of its autonomy. It must ratify the budget proposed by the Executive Board, which must subsequently be approved by the Federal Government. The BA is financed through unemployment insurance contributions by employers and employees, the contribution rate is, however, determined by statute and not by the BA itself.

Despite its status as a self-governing institution, the BA's independence is in practice limited. Both administrative regulations (Anordnungen) and the budget approved by its Council require the approval of the Federal Minister for Labour and Social Affairs (and in some cases the Minister of Finance). Moreover, regulations and, under certain circumstances, budgetary changes can be directly imposed by the Minister if the BA's own administration fails to comply with his instructions (§191, §216 AFG).

The limited autonomy of the BA vis-à-vis the government is best illustrated by the budget process (Linke 1994; Bruche and Reissert 1984). Although the BA has its own budget and separate funding through contributions to unemployment insurance,<sup>8</sup> it has no control over the contribution rate on the revenue side nor, for example, over benefit levels or training stipends, which are fixed by statute. Moreover, its budget it has to be approved by the Federal Government (the Minister for Labour and Social Affairs). Since 1993 the Minister can implement the budget on his own authority if the Council does not accept the budgetary stipulations imposed by the Minister. This situation can arise, only if the BA's budget is in deficit (§216 AFG), i.e. it is unable to finance proposed expenditures through its own resources (unemployment benefit contributions) and any reserves it may have accumulated). However, the current high levels of structural unemployment and the high costs of transfers to East Germany mean that there is a chronic budget deficit and that, consequently, the BA has experienced a significant loss of independence (Linke 1994).

### *The United Kingdom*

<sup>7</sup>The Executive board is composed of 3 representatives of the social partners as well as three public representatives (1 from the federal government, 1 from the Bundesrat, the Federal Council of the Länder, and 1 from the Deutscher Städtetag, the national organization of the German municipalities. The Council is composed of 17 representatives from each group. The administrative committees at the regional and local levels consist of from 15 to 27 members (the exact number is set by the Council). The administrative committees of the local PES offices consist of from 9 to 21 members -- the exact number is fixed by the administrative committees of the regional PES offices.

<sup>8</sup> Resources in the form of unemployment insurance contributions and any accumulated reserves .

The British Manpower Services Commission (1973 - 1988) integrated training and placement services in an independent, tripartite labour market authority with its own budget, personnel administration and subordinate regional and local organizations. Although responsible for most active programmes, the MSC was by design strictly separated from the administration of unemployment benefits, which was the responsibility of a separate organization within the Employment Department.

The MSC's tripartite governing body included three trade union and three employer's representatives, two representatives of local authorities, one member from the vocational training sector, and a chairman chosen by the government. Although formally independent of the government in its day-to-day operations, the MSC was clearly subordinate to government policy: Its chairman was chosen by the government, and its proposals had to be approved by the responsible minister. Moreover, its budget was controlled through the MSC's dependence on annual grants in the government budget. The MSC may have been capable of exercising influence, but it was never independent (Evans 1992:16-17). This relatively centralized organization also had tripartite Area Manpower Boards, which were supposed to provide a mechanism for co-ordination at the operative regional level, but they had only advisory status. The MSC was abolished after the withdrawal of trade union representation in connection with the controversy over the introduction of the Employment Training programme for the adult unemployed.<sup>9</sup> In retrospect it is not the abolition of the MSC but the survival and even expansion of this corporatist institution during the 1980s under the Thatcher government that is noteworthy.<sup>10</sup>

Subsequently the government delegated responsibility for training and most active measures to the Employer-led Training and Enterprise Councils (TECs). The TECs carry out the planning, management, and control tasks in the delivery of training and enterprise programmes that were previously the responsibility of the former tripartite Manpower Services Commission. In essence these management functions have now been contracted out to private organizations with governing bodies in which local employers have by law a 2/3 majority.<sup>11</sup>

### *France*

Responsibility for the implementation of labour market policy is highly fragmented in France. The main French employment service institutions are ANPE (French National Employment Office), AFPA (Adult Professional Education Association), UNEDIC (National Union for Industrial and Commercial Employment), FNE (French National Employment Fund)<sup>12</sup> and the employment ministry (organized at different levels). Of these institutions ANPE and AFPA have tripartite structures in which the social partners formally share authority with public representatives. UNEDIC is by contrast in form a purely bipartite institution based on

<sup>9</sup> Actually its transitory successor, the Training Commission as the MSC was called after the hiving off of placement services to the independent Employment Service.

<sup>10</sup> See King 1993 and Evans 1992 for surveys of these developments.

<sup>11</sup> The TECs are in fact a new variant of an older British tradition of quangos (quasi-autonomous non-governmental organizations).

<sup>12</sup> FNE (Fonds national de l'emploi) was created by the law of the 18th December 1963. It is not a body with legal status but a budget fund at the disposal of the employment minister. FNE aids are granted through contracts negotiated between the employer and the administration.

a national agreement between representatives of the social partners. This section focuses on ANPE and UNEDIC, the two most important channels of influence of the social partners on labour market policy in the French employment service regime.

ANPE ("Agence Nationale Pour l'Emploi") is the national employment office and the central organization of the public placement service. Established in 1967, it is a national public body with an independent legal status but under the authority of the employment minister. It is governed by a board headed by a Director-General, who is appointed by the minister of employment. In 1980 a tripartite board of management was introduced in which ANPE's users are represented. By law the board of management deliberates on ANPE's general strategies and development plans, cooperation agreements at the national level (in particular with UNIDEC), and its budget. Tripartite regional and departmental committees were introduced in 1986.<sup>13</sup> The representatives of the employers and workers are appointed by the most representative employers' and workers' organizations.<sup>14</sup>

Despite its formally autonomous status, the ANPE and its governing board have basically very little independence vis-à-vis the state (Hamoniaux, 1995). Its principal officials (the president of the board of directors and the managing director) are appointed by the labour minister, and the decisions of its governing board are enforceable only if approved by the minister; and finally, its personnel is subject to civil service status. Its financial autonomy is even more limited: 70 per cent of his budget comes from a direct state grant and the rest from the Fonds National de l'Emploi.

The French unemployment insurance benefit carrier UNEDIC ("Union Nationale d'Emploi dans l'Industrie et le Commerce") is a non-profit association established in 1958 by interprofessional agreement, i.e. by the social partners. Because the unemployment insurance system originates from an agreement between the social partners, its decision-making bodies are bipartite structures. UNEDIC is governed by a bipartite council which every two years appoints a managing board from among its members. Its chairman is alternately a representative of the employers' associations and a union representative. The managing board has the task of managing the day-to-day operation of UNEDIC.<sup>15</sup> From a formal point of view, UNEDIC corresponds exactly to the description of pure bipartism. Yet, the real influence of the social partners is more ambiguous since the government continuously intervenes in its activities.

Although primarily responsible for unemployment benefits, UNEDIC's role in active labour market policy has recently increased. In fact, since 1986 UNEDIC has been developing a programme of activating passive benefits.<sup>16</sup> These measures mark the first step in the

<sup>13</sup> The ANPE's board of management consists of an appointed chairman; 5 members representing employers; 5 members representing workers; 5 members representing, respectively, the Ministers of Employment, Education, Finance, Industry and the Minister responsible for the local authorities.

<sup>14</sup> Trade unions recognized by law and the most important employers' organizations.

<sup>15</sup> Assedic (Associations pour l'emploi dans l'industrie et le commerce) - Association for industrial and commercial employment - is comparable to Unedic. Unedic is organized at the national level, whereas Assedic is organized at territorial level and has to join Unedic.

<sup>16</sup> Four schemes were introduced to promote employment: the "Convention de conversion" (retraining contract), initiated by the inter-professional agreement of the 20th October 1989; the "Allocation Formation-Reclassement" - AFR (training/career change benefit), introduced by the inter-professional agreement of the 6th July 1988; the "Convention de coopération" (cooperation contract), initiated by the inter-professional agreement of the 8th June 1994; the "Allocation de Remplacement pour l'Emploi" - ARPE (job replacement benefit), introduced by the inter-professional agreement of the 6th September 1995. In particular ARPE is considered as resulting from an "historic" agreement. All experts interviewed agreed that ARPE is the most important measure in years with respect to the influence of social partners on active labour market

development of the social partners' own employment policy.

Although formally a bipartite organization, the state has frequently intervened directly in negotiations between the social partners. For example, in the tripartite agreement of 23rd July 1993, which aims at restoring the fiscal soundness of the system, the state committed itself to paying a subsidy, and the social partners committed themselves neither to lower the contribution rate nor to increase benefits. A tripartite supervisory council was also established, the "Conseil d'Orientation et de Surveillance" (COS), which is responsible for the auditing of UNEDIC's accounts as well as for co-ordination and control measures.

Our survey of the most important stages of UNEDIC's evolution (see French case study below) shows the ambiguity of the relationship between the social partners and the state: The latter seems to encourage and support the bipartite system, though it constantly intervenes. In crisis situations conflicts between the state and the social partners typically relate to their respective roles in financing the system.

### *The social partners in four employment service regimes*

Table 2 (on page 14) presents a synoptic comparison of organizational features of the four tripartite employment service regimes surveyed. The Dutch Arbeidsvoorziening in the 1991 to 1996 period enjoyed the greatest independence in its policies and its budget decisions, although the government's original commitment to provide the labour market authority with a fixed four year budget allocation was in practice revoked by a series of budget cuts. The social partners had a majority in the central board, controlled the selection of top PES officials, and enjoyed a great deal of independence in policy making (table 2). Conflict with the government over financial resources, the autonomy of the institution, and its policy-orientation led, however, to a policy reversal and a clear subordination of the employment service to the government through changes that came into effect in 1997.

The German employment service, which is responsible not only for active measures but also for unemployment benefits, is the product of a long tradition of tripartism in labour market institutions and of social partnership in industrial relations. Its independence - within the broad constraints of the Labour Promotion Act - is underlined by the unique attribute of being autonomous in developing its own budget on the basis of financing through unemployment insurance contributions rather than annual appropriations (table 2). Chronic deficits in the unemployment insurance fund have, however, now rendered the BA dependent on the government for approval of its annual budget and led to repeated conflicts between the BA and the government. Recent statutory changes have clearly subordinated the BA's tripartite governing council to the government in both budgetary and policy questions. Nevertheless, the German employment service still influences policy and has significant autonomy at the implementation level, for example, the Arbeitsamt 2000 employment service reforms.

The independence of the British Manpower Services Commission and hence the influence of the social partners appears to have been quite limited. Its chairman was appointed by the government; it was subject to the government's annual budget process and to ministerial direction (table 2). Moreover, the autonomy of any tripartite institution depends not only on its own institutional position but also on the political context. By this test too the political

position of the MSC in the policy process appears to have been weak: Governments are stronger in the United Kingdom, where single-party majority governments rather than coalitions are the rule, and the institutionalized political 'clout' of the social partners is weaker than, for example, in Germany or the Netherlands.

The impact of tripartite employment service institutions on policy appears to be weakest in France. Thus, in the case of ANPE, the most important of these institutions, its top officials are government appointees, its budget is controlled by the government, and it is subject to ministerial direction in policy matters (table 2). In short, the social partners have no role in the design but influence at most the implementation of active measures. Tripartite institutions appear to largely instrumentalize the participation of the social partners for policies made by the state. Most measures of active policy are decided by the French state without consultation with the social partners. Policy orientation depends on the color of the government and not on the opinions of the social partners. Other channels of influence of the social partners are clearly more important in France. The case of UNEDIC, which is a bipartite institution based on collective agreement rather than a tripartite institution based on law, is particularly interesting. UNEDIC is an autonomous institution of the social partners which, in comparison with the rather weak tripartite institutions in France, is highly independent. It selects its own officials, has its own autonomous budget and source of financing (contributions and a regular state subsidy), and stands in a bargaining relationship to government rather than one of hierarchical subordination (table 2 on page 14).<sup>17</sup>

#### **2.4 Legitimation and lobbying function**

Tripartism in PES institutions management might be expected to be associated with high and more stable levels of political support for active measures because it is indicative of the existence of a broad consensus between the social partners and represents a long-term and formalized commitment by major societal actors. This was, for example, an explicit consideration in the establishment of a tripartite labour market authority in the United Kingdom (MSC) ("lobbying function"; Reissert 1984) and is certainly a plausible effect of tripartism. Nevertheless, the determinants of political support for active measures are complex and a number of factors are likely to be important. For example, a corporatist-type consensus between the social partners and the state at a higher political level may be more important for public support for active measures than the direct involvement of representatives of the social partners in a tripartite labour market authority, which may in fact be a relatively subordinate implementation level in the policy chain.

In the OECD as a whole there is likewise only a loose relationship between these two modalities of influence of the social partners on active labour market policies (see table 3). Some countries with a strong corporatist tradition and a consensual style in policy formulation do not give the social partners a formal role in the tripartite administration of active labour market policies (Denmark, Finland, Norway), or have only recently experimented with this institutional form (Netherlands, Austria) while Sweden has recently abandoned tripartism. By contrast other countries with rather weak corporatist traditions have sometimes established

<sup>17</sup>Since unemployment insurance funds are administered by the social partners in a number of countries, the "activation" of these funds for active measures can also be expected to lead to an increased role for the social partners in policy formation analogous to the case of UNEDIC.



tripartite labour administrations (Canada, France, Greece, Ireland, and - until 1990 - the United Kingdom).

Among the countries examined in our case studies, the strongest corporatist traditions are found in the Netherlands and Germany and the weakest in France and the United Kingdom. The system of industrial relations, especially the organization of the trade unions, is most fragmented and conflict-prone in the latter two countries. Nevertheless, all four countries have experimented with tripartite forms of participation of the social partners in labour administrations. Germany is a rare example of a country with a strong corporatist tradition in industrial relations that has had a tripartite administration since the legal establishment of a public employment service.<sup>18</sup> In the case of the United Kingdom there was a clear relationship between the establishment of the tripartite MSC in the early 1970s and (unsuccessful) efforts to establish a corporatist pattern of policy-coordination between the government and the social partners. Noteworthy in the case of the United Kingdom is that the tripartite labour market authority actually survived for 10 years under Thatcher's neo-liberal policy regime - a fine illustration of the historical momentum of institutions.

Table 4 provides a simple test of the relative importance of tripartism and corporatism as influences on the level of active expenditure. It compares average active expenditure as a percentage of GDP in 1994 for the four categories of policy regimes reported in table 3 classified according to whether a country has tripartite employment service institutions and the strength of corporatism. The results show that while OECD countries that rank high on the corporatism indicator also have a markedly higher average level of expenditure for active measures (1.4 per cent to 0.69 per cent), countries with a tripartite PES self-administration actually have a lower average level of active expenditure on GDP in comparison with countries without tripartite employment services (0.91 per cent to 1.03 per cent). These simple bivariate findings suggest that a corporatist pattern of industrial relations is a stronger determinant of the level of active expenditure than tripartism. The impact of the social partners on labour market policy through corporatism is discussed below (3.), where the results of a quantitative analysis of the impact of corporatism on labour market policy expenditure are reported.

## **2.5 Multi-actor policy co-ordination**

Tripartism in the public employment service, which integrates other policy actors in PES governance, is also advocated on the basis of a co-operative policy model. In all countries labour market policies typically involve organizational actors in different functional areas and levels of government (labour, education, social security institutions; provincial and municipal governments etc.) as well as employers' organizations, trade unions and other private sector actors. Thus tripartite institutions in the countries surveyed include not only the social partners but also other government agencies and levels of government.

In this view the efficiency and effectiveness of the PES (or the TECs in the United Kingdom) depend to a large extent on its capacity to interact with these multiple actors at the national, regional, and local levels. The inclusion of the social partners and other public sector

<sup>18</sup>With the introduction of unemployment insurance in 1923-24 (Arbeitsnachweisgesetz of 1922), placement services and benefit administration were merged in a fully integrated tripartite organization, Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung, in 1927.

organizations in the governance of tripartite labour market institutions can be interpreted as a strategy of policy co-ordination through co-optation. Inclusion of representatives of these organizations in PES governance is expected to facilitate necessary co-operation and induce them to coordinate their own activities better with PES policies.

In an older and relatively centralized corporatist tradition perhaps best represented by former Manpower Services Commission (MSC) in the United Kingdom, the primary concern was the integration of the national and sectoral organizations of the social partners in a new commitment to active labour market policy. This was still a principal goal of the introduction of the tripartite labour administration in the Netherlands in the early 1990s. Another related goal was the improved co-ordination of several government departments concerned with labour market policy, which are represented the PES's central governing body.

**Table 2. Synopsis of employment service regimes and their impact on active policies**

	France			Germany	The Netherlands	The United Kingdom
	ANPE	AFPA	UNEDIC	BA	Arbeidsvoorziening	MSC (1974-1988)
Role of tripartite body in decision making	Decision-making authority within legal framework	Decision-making authority within legal framework	Independent bipartite council	Decision-making authority within legal framework	Decision-making authority within legal framework	Decision-making authority within legal framework
Do social partners have majority?	Yes 2/3	Yes 2/3	Only SP	Yes 2/3	Yes 2/3 <sup>19</sup>	Yes 2/3
Selection of top officials	By minister	By AFPA subject to ministerial approval	By UNEDIC	By BA Council <sup>20</sup>	By national board (CBA)	By government
Policies require govt. approval/ subject to ministerial direction?	Yes	Yes <sup>21</sup>	No	Yes <sup>22</sup>	No <sup>23</sup>	Yes
Does PES organization have budget autonomy?	No Annual grants with line item budget	No Annual grants with line item budget	Yes Own budget financed through contributions to unemployment insurance and regular govt. subsidy	Yes Own budget financed through contributions to unemployment ins. Minister must approve. <sup>24</sup>	Yes Own budget but subject to ministerial approval and annual budget authorization <sup>25</sup>	No Annual grants with line item budget
Perception of impact of social partners	Government dominant with little SP impact	Government dominant with moderate SP impact	Relatively autonomous SP organization; bargaining relationship to govt.	Govt. increasingly dominant but with significant administrative autonomy	Relatively autonomous labour market authority (until 1997)	Government dominant. SP influence on implementation <sup>26</sup>

Source: See national case studies reported below.

<sup>19</sup> Until 1997 each group had veto power. Thereafter decision is by simple majority voting, and the government is no longer represented on central board.

<sup>20</sup> Nomination formally by the government, but it may reject recommendation of the BA's tripartite board only for serious reasons.

<sup>21</sup> AFPA has more policy discretion in provision of market services, for example, to enterprises.

<sup>22</sup> Council regulations require ministerial approval. Moreover, if Council fails to act on suggestions of minister within a fixed period, the changes can be put into effect by the minister.

<sup>23</sup> Since 1997 board required to confer with minister regularly on policy and ministerial oversight has been strengthened.

<sup>24</sup> Government obligated to fund any deficit that cannot be covered by current revenues and the BA's accumulated surplus. Since 1993 minister may impose budget if disagreement with the BA and budget is in deficit.

<sup>25</sup> Multi-year fixed budget allocation foreseen, but in practice government intervened by cutting resources available. Since 1997 dependent on annual budgets.

<sup>26</sup> For example, TUC advocacy of controls on training quality in the Youth Training Scheme.

**Table 3: Corporatism and PES tripartism in OECD countries**

	Corporatism		Total
	High	Low	
PES tripartite self-administration	Austria (since 1994)	Canada	10
	Belgium	France	
	Germany	Greece	
	Luxembourg	Ireland	
	Netherlands (since 1991)	Portugal	
PES ministry or other	Denmark	Australia (since 1997)	12
	Finland	Italy	
	Norway	Japan	
	Sweden (since 1991)	New Zealand	
		Spain	
		Switzerland	
		UK (since 1990)	
	USA		
Total	9	13	

Sources: For PES tripartism see table 1. Corporatism ranking based on degree of centralization in wage bargaining (union density and coverage) from Calmfors and Driffill 1988, High = 1 to 8 in ranking. Luxembourg and Greece interpolated based on OECD data on union density, coverage, and days lost to due to strikes. Dates in parentheses refer to introduction or abandonment of tripartism in PES institutions.

By contrast in a new co-operative policy model, which is perhaps most clearly articulated in the Dutch and British cases, the emphasis is now on decentralized and locally oriented implementation structures in which the role of the PES is not primarily the administration of national programmes but active networking of public and private actors at the regional and local level. In comparison to the traditional emphasis on the role of the social partners in tripartism, local policy networks and in particular local authorities are perceived as being increasingly important actors. This trend is due in particular to the shift in responsibility for income maintenance and active policies for the unemployed in many countries (e.g. the Netherlands, Germany, Sweden) toward the local authorities, who are typically responsible for social assistance for individuals who have exhausted their unemployment benefits.

One consequence of the new policy model is that it calls into question the traditional tripartite formula: Should the social partners always be equally represented? Should the social partners themselves have a majority? Should other societal groups be excluded? For example, in some innovative implementation regimes such as the Training and Enterprise Councils (TECs) in the United Kingdom and the JTPA system in the United States local employers have been given a dominant voice in decentral implementation of labour market policies, and even Sweden, a country like with strong corporatist traditions, now gives majority control in PES local boards to the municipalities in order to improve linkages to active measures at the

municipal-level.<sup>27</sup>

<sup>27</sup>The withdrawal of employers' organizations from the Swedish labour market board in 1991 triggered these changes.

**Table 4: Average expenditure for ALMP by PES tripartism and strength of corporatism, 22 OECD countries, 1994**

	Corporatism					Total	
	High		Low				
	ALMP%GDP	ALM%GDP per % unemployed	ALMP%GDP	ALMP%GDP per % unemployed		ALMP%GDP	ALMP%GD % unemployed
<b>PES tripartite</b>	<b>0.93</b>	<b>0.13</b>	<b>0.90</b>	<b>0.08</b>		<b>0.91</b>	<b>0.10</b>
<b>PES ministry or other</b>	<b>2.00</b>	<b>0.20</b>	<b>0.55</b>	<b>0.06</b>		<b>1.03</b>	<b>0.11</b>
	<b>Total Corporatism High</b>		<b>Total Corporatism Low</b>				
	<b>1.40</b>	<b>0.16</b>	<b>0.69</b>	<b>0.07</b>			

Source: OECD expenditure data and standardized unemployment rates (UR)

Good process evaluations of whether these goals of enhanced co-ordination are reached are rare, and we are largely dependent on circumstantial evidence. In countries in which the organizations of the social partners are important and willing labour market policy actors, for example, because of linkages to collective bargaining, to social insurance carriers, or their role as programme sponsors, close co-ordination with them is both advisable and necessary. Participation by the social partners in national and local PES governing bodies is one way to pursue this goal, which has been institutionalized in many OECD countries. Such contacts provide the actors involved with information about PES policies and a network of interorganizational contacts that facilitates co-operation. However the same goal may also be achieved by participation in advisory bodies to the labour ministry or the PES, which exist in all countries without tripartite self-administrations. The quality of the contacts and communication is probably more important for co-ordination than the institutional form. On the other hand, where the social partners are weak and fragmented or do not play an important role in labour market policy participation through advisory bodies would appear to be more appropriate than direct involvement in tripartite institutions.

Inclusion of other policy actors in PES governing bodies is of course only one possible organizational strategy to improve policy co-ordination. After the evaluation of tripartite reforms in the Netherlands it was concluded that co-operation between the PES and sectoral social insurance carriers and the municipalities was still unsatisfactory, the incentives for co-operation were changed by allocating part of the PES's funding to these organizations to use to purchase services from the PES for their clientele (i.e. especially the long-term unemployed and social assistance recipients).

## **2.6 Internal conflict and deadlock**

A possible negative effect of tripartism is disruption of organizational cohesion and efficiency and internal conflict that may result from the incorporation of the social partners (and other actors) in PES governance. The number and diversity of the actors represented may make decision-making more cumbersome, and in worst cases may result in politicization, which is the downside risk of the co-operation gain that tripartite forms aim to capture. This was a major criticism of the evaluation of the Dutch experiment with tripartism and is evident in the recent controversies in the German public employment service described above.

It is noteworthy that conflicts over policy are most often between the government and the social partners and not between the employer and employee groups within the tripartite bodies (see table 5). Typically conflicts between the social partners and the government are related to joint opposition to cuts in funding (Netherlands), or to the extent to which non-insurance related costs (e.g. special measures in East Germany) are to be financed through the unemployment insurance funds (in Germany and France).<sup>28</sup> Another common standpoint is against government interference in the autonomy of the PES organization (France, Germany, the Netherlands), or opposition to government initiatives to target services restrictively on problem groups in the Netherlands, or to shift the costs of early retirement or redundancies in adjustment situations back onto enterprises in Germany. By contrast major differences or clashes of interest between the social partners on active policies are less important than we had anticipated.

In the recent controversy over cutbacks in the German employment service employer representatives sided with the government not because of any principled opposition to active

<sup>28</sup>UNEDIC financing.

measures but because of overriding fiscal concerns about the government's deficit and opposition to financing the measures through increases in taxes or social security contributions. This is probably a typical policy difference between the social partners in tripartite labour market policy regimes in countries in which both social partners are committed in principle to active measures.

Differences between the social partners are more often in emphasis rather than about principle: Thus Lechner et al. (1993: 215f) report that employers' organizations in Austria give greater emphasis to the importance of enterprise-oriented programmes, whereas trade unions are more concerned about individual measures and programmes for problem groups. In France trade union representatives have also been critical of the extent to which active measures take the form of subsidies to firms without adequate controls for their labour market effects.

Decision-making rules are an important institutional design feature affecting the management of tripartite administrations: Whereas the tripartite regime in the Netherlands initially required unanimity (2/3 of any of the three 'blocks' could veto a decision), a simple majority suffices in the German employment service.<sup>29</sup> In both the Netherlands and Germany, conflicts between the government and the social partners in the employment service have led to changes designed to give the government clear authority to decide any serious controversy between it and the tripartite governing board of the employment service. The importance of such procedural rules should not, however, be exaggerated.

Evidence from experience with tripartite PES organizations suggests that internal conflicts are not an inherent weakness of these institutions. They are rather a reminder that a key precondition for the functioning of tripartism is a working policy consensus between employer, employee, and government representatives. Where this does not (or no longer) exist, tripartite institutions are inappropriate or at risk; the collapse of tripartism in the United Kingdom at the end of the 1980s and in Sweden after 1991 are two recent illustrations.

Given its strong tradition of social partnership, the Swedish case is especially interesting in this respect. The Swedish employers' association's (SAF) 1991 decision to withdraw its representatives from all the main tripartite organizations, including the national and regional labour market boards, apparently mainly reflected an ideological sea change in its definition of its role vis-à-vis government. It now rejected "corporatism," in which "interest organizations participate in government decision-making or perform government functions." SAF argued that corporatism weakens democracy and hinders the modernization of public authorities; in its view government should be responsible for policy and not interest groups, which should be free to represent their organization and the interests of their members. SAF endorsed tripartite advisory bodies as an alternative, in which representatives of interest organizations represent the views of their organizations without assuming responsibility for governmental policies (SAF 1992; Debois 1997). The Swedish employers' organization was also apparently frustrated by the fact that its representatives were usually outvoted by the trade union and government representatives; SAF no longer wished to share responsibility for decisions it could not prevent because of majority voting rules (Debois 1997; OECD 1996). After the withdrawal of the SAF representatives, the AMS board structure was reorganized in 1992-93 and now consists of six independent members and a director general appointed by the government for a fixed term. The social partners now participate in PES governance only as members of a 12-member bipartite AMS Advisory Council, in which employers' and workers'

<sup>29</sup>The 1996 reform of the Dutch employment service introduced majority voting in response to the recommendation of the evaluation commission. As the OECD (1996) notes, however, a 2/3 plus 1 decision rule in Austria has apparently functioned without similar problems.



organizations are equally represented and the AMS director general acts as chairman (Debois 1997; 289). Recently, the government has restructured the regional labour market boards to give representatives of the municipalities a voting majority.

## 2.7 Insider policies

A classical problem of the devolution of responsibility for government functions to private actors is that recognized interest groups may not adequately reflect the public interest or even that of all their members. For example, employers' organization may not adequately represent the perspective of SMEs or trade unions may not adequately represent the interests of unorganized workers or of labour market problem groups. There are some indications of insider policies and interest conflicts along these line in the Netherlands, Germany and the United Kingdom. In all these countries a principal issue is the extent to which PES active measures should be targeted on the disadvantaged and problem groups.<sup>30</sup> In the Netherlands, where this issues has been most prominent, the social partners clearly favor a slip stream approach according to which the PES can best assist problem groups to find regular employment if the PES has a good reputation with employers and a high market share in placements. Adoption of this strategy means that the PES serves a broad segment of the labour market, including the social partners' own clienteles, whereas the government wishes to focus PES activities on labour market problem groups. The recent official evaluation of Dutch tripartite labour market authority actually accuses the representatives of employers and trade unions of acting "in the interest of their own members" rather than for the common good. A principal issue during the adoption of the new employment service law in 1995/96 was the target group orientation of the PES. Whereas the government (Ministry of Social Affairs) wanted it to focus on the hard-to-place, the social partners rejected this proposal, fearing that that PES offices would become a dumping ground for social problem groups, and even threatened to withdraw from the tripartite institutions if such a policy were adopted. The final compromise categorizes the unemployed according to the amount of training and work experience needed to place them, ranging from category one workers, who should be able to find a job on their own, to category four workers who have no chance of finding employment. The PES is to target its own resources on intermediate groups, i.e. neither the easy to place nor those who cannot be realistically placed but on those among the long-term unemployed, women, foreigners, and the partially disabled, for whom placement is possible in combination with active measures.

In Germany too targeting of measures has been a problem. The influence of the "insurance principle" in the tripartite Federal Employment Service, has meant that unemployment benefit recipients have in practice been given priority access to active measures (Schmid, Reissert, Bruche 1994). Until 1994 a very high percentage of individuals in training programmes were previously employed and the probability of entering labour market training was lowest for the long-term unemployed. The recent initiative in Germany to target training on the unemployed came from the government.<sup>31</sup>

In the United Kingdom it was initially feared, for example, that devolution of

<sup>30</sup>The "insider" orientation noted here manifests itself as opposition to state efforts to target measures primarily on problem groups not as opposition to programmes for these groups. Indeed, in the area of collective agreements the social partners have shown an increasing interest in promoting the integration of the unemployed, for example, through special entry wages for unemployed and lower skilled workers in Germany (Bispinck 1997).

<sup>31</sup>See Linke (1994) for details. The contribution-based financing system in Germany is an institutional source of this skewed distribution of access to active measures.

responsibility for active measures to the employer-led TECs would entail a shift in public training away from the reintegration of problem groups toward serving the skill needs of the private business sector (Meager 1991). Although the TECs are - given the interests of their employer-led boards and their broad mandate - more inclined to invest additional resources in training for the employed, or for the readily employable, in order to meet skill shortages rather than to provide training for problem groups, this has not taken place because relatively strict eligibility criteria for training programmes are defined by the ministry and not by the TECs (Mosley and Degen 1994). The extraordinary focus of labour market policy in the United Kingdom on problem groups, particularly youth and the long-term unemployed (> 6 months), is of long standing and has been unaffected by the heightened influence of employers on the implementation of active measures.

Although a realistic analysis has to be cognizant of the fact that the social partners are interest organizations, albeit with very broad rather than narrow constituencies, experience with tripartite organizations reported in the case studies shows the importance in this respect of the mediating role of government as a representative of the public interest in the functioning of tripartite institutions. Moreover, the likelihood of insider policies is clearly related to the characteristics of the organizations of the social partners. Where employers' organizations and trade unions are broadly based and inclusive with a high level of coverage, the problem of insider policies is probably not very great. Where, on the other hand, the organizations of the social partners are weak and fragmented, the danger that they may pursue particularistic interests appears correspondingly greater.

### **3. Corporatism and active policies**

Classical neo-corporatist forms of policy co-ordination in the 1960s and early 1970s focused on economic and incomes policies, but social and labour market policies also played an important if auxiliary role. For example, the Swedish original commitment to active labour market policies in the 1960s was an element of a broader consensus on economic and social policy (Rothstein 1996).

**Table 5: Types of conflicts in employment service regimes: France, Germany, the Netherlands, the United Kingdom**

	France			Germany	Netherlands	United Kingdom
	ANP	AFPA	UNEDIC	BA	Arbeidsvoorziening 1991-96	MSC 1974-1988
Examples of conflicts between social partners in tripartite/bipartite organization	Unions stress mission of serving unemployed and low-skilled & criticize employer and market orientation		1) Conflicts over presidency of organization 2) Over activating benefits: Employers favored activation whereas unions wanted only insurance benefit function	1) Conflicts over level of budget for active programmes - unions opposed cuts 2) Conflict over legalization of commercial placement services		1) Union opposition to 'workfare,' 2) Removal of employment service from tripartite MSC
Examples of conflicts between social partners in tripartite/bipartite organizations and government			1) Conflict over financing of non-insurance (solidarity) benefits; 2) Over state intervention in UNEDIC	1) Financing of non-insurance related expenditure (e.g. for Eastern Germany); 2) Severance payments offset unemployment benefit	1) Opposition to: a) government budget cuts; b) interference in operations of labour market authority; 2) Advocacy of "slip stream" strategy as opposed to problem-group orientation	

Sources: See national case studies reported in Part II below

For a variety of reasons the era of corporatist attempts at co-ordination of economic policies at the macro-level has passed. A number of reasons can be cited for this turnabout: (1) National income policies negotiated between the social partners in neo-corporatist policy regimes arose in the context of tight labour markets in which the co-operation of the trade unions was needed in order to avoid inflationary disruption of macro-economic policies in economies at or near full-employment. Today the position of unions has been greatly weakened by structural changes toward a service economy and high levels of unemployment. The need for corporatist forms of co-operation with trade unions in order to enforce wage moderation is not as great as in the past, but there is now a greater need for co-operation in the process of structural adjustment. (2) Moreover, the internationalization of product markets and the increasing exposure of formerly protected sectors to competition (public sector, service sector) has reduced the policy room for maneuver for any type of centralized bargaining at the national level (Traxler 1993). (3) Finally, in an increasingly integrated European and world market, the room for maneuver for national economic policies appears to be more limited than in the past (Marks et al. 1997; Traxler 1993). There are, nevertheless, still marked differences across OECD countries in the organizational strength and political influence of the social partners and in the respective national styles of political co-ordination and collective bargaining (see tables 1-3 in the Appendix below). Moreover, new phenomenon such as the "social pacts," which have been a widespread response to the labour market crisis in Western countries, may be interpreted as being a softer, contemporary form of corporatist co-ordination (IRES 1994).

This section summarizes the main findings of an empirical analysis of the impact of corporatism on labour market policy expenditure in OECD countries, "Corporatism and Active Labour Market Policy: Empirical Evidence from OECD Data," which is reported in detail in the statistical appendix below. In most industrialized countries, the system of industrial relations plays an important role for economic and labour market performance (cf. Janoski 1997). The actors in industrial relations, "the social partners", constitute a "web of rules" (OECD 1994: 167), providing procedures for conflict management. We hypothesize that the characteristics of the industrial relations system and the integration of social partners in the policy process have an impact on the level and composition of active measures. The influence of the social partners on level and design of labour market policy expenditure is examined in different multiple linear regression models (see table 1-1 in statistical appendix below). Our models test the influence of social partners within an institutional model that also takes into account the level of unemployment and party constellations in the political system. Two different indicators for the role of the social partners are used: union density and consensus orientation.

The dependent variables in our models are expenditure rates for passive and active labour market policy as a percentage of GDP (with the subgroups training and subsidised employment for active policies) as well as the overall "activity rate" of labour market policy, i.e. the share of active measures on all labour market policy expenditure.

The models are tested for two periods: 1985 to 1990 and 1991 to 1994. Cyclical and extraordinary peaks in the data set are smoothed by taking an average of the unionization and conflict indicators for the last five years. The analysis is based on the data collected by the OECD, enabling on the one hand a cross-national comparison between different national institutional regimes, and, on the other hand, a sample that is large enough for statistical analysis. The OECD data refer to national data sources, that are adjusted according to international standards as far as it is possible.

The results of our analysis, which are reported in detail in the statistical appendix below,

can be interpreted as providing robust evidence for a positive relationship between corporatism as measured by union density and low strike rates on both total and passive expenditure for labour market policy as a percentage of GDP. If we interpret corporatism in this sense as a proxy for social partnership, we can conclude that labour market policy expenditure is significantly higher in countries in which social partnership is stronger. On the other hand, the evidence for an impact of social partnership on levels of active expenditure (here training and subsidized employment) is weaker and inconsistent. Finally, as expected, the unemployment rate is strongly and significantly positively related to both active and passive labour market expenditure. Neither social partnership nor any of the other variables included in the model are statistically significant when regressed on activity rates, i.e. the ratio of active to passive measures in labour market policy expenditure.

#### **4. Conclusion**

There are a variety of different roles open to the social partners in the design and implementation of active labour market policies. In this report, we have identified and examined four principal channels of influence: (1) political influence on government policy, especially in corporatist policy regimes; 2) tripartism in employment services, 3) collective bargaining; 4) programme participation. We have focused in particular on the first two, which represent forms of direct involvement of the social partners in policy making. Although both of these channels of influence are still important in a great many OECD countries, both appear for a variety of reasons to be less important than in the past. Corporatist forms of policy coordination, in which the social partners have historically played a central role, have been weakened in particular by globalization of economic relations, which has clearly reduced the room for maneuver for national policy, and by a secular decline in trade union power. The independence of tripartite employment service institutions, and hence the influence of the social partners within them, has also been curtailed by increased government intervention due in particular to growing fiscal constraints.

Direct involvement of the social partners in the governance of independent tripartite labour market authorities like that found in all four of the case study countries (France, Germany, the Netherlands, and until 1988 in the United Kingdom) appears at first sight to promise the greatest influence on active policies. Our case studies show, however, that such formal responsibility does not necessarily mean real influence. Tripartite employment service institutions are more concerned with the implementation of policies, whose broad parameters are clearly set by government, although there are large differences across countries in the degree of autonomy actually exercised by tripartite institutions. This finding suggests that the distinction between tripartite PES governance and PES advisory bodies, in which the social partners merely play a consultative role, may not be very great in practice. In general it appears that the form of participation is less important than the existence of a culture of social dialogue in the political system and in industrial relations. It is thus not surprising that a simple comparison of expenditure levels in different types of employment service regimes shows no evidence for higher levels of expenditure for active measures in OECD countries with tripartite governance structures in comparison with those in which the social partners have merely an advisory function but strong evidence for higher expenditure levels in countries with strong corporatist traditions in their industrial relations systems. However, a multivariate regression analysis of the impact of social partnership as measured by union density and low strike rates on labour market policy found a positive impact on total and on passive expenditure but only weaker evidence for a positive impact on expenditure for active measures.

While involvement of the social partners in policy making and implementation is clearly

desirable, it is difficult to draw general policy conclusions for the institutional design of employment service institutions based on our limited study of the experience of four western European states. As noted above, a culture of social partnership in labour market policy appears to be more important than the particular institutional form. Such a policy culture of social partnership is not, however, a matter of simple choice but deeply rooted in a national culture. Moreover, social partnership has certain prerequisites the most important of which are that trade unions and employers' organizations be broadly based and representative and that they share a basic policy consensus with government on active measures and on the appropriate role of the social partners in policy-making. These are important conditions for tripartite employment service institutions if they are to function effectively (legitimation, multi-actor policy coordination) and to avoid a number of possible negative effects (internal conflict, insider policies). The evidence from our case studies clearly indicates that, if these conditions are fulfilled, tripartite participation of the social partners in the governance of the employment service is more likely to succeed and that under other circumstances participation through consultative bodies (i.e. without direct responsibility for PES management) may be more appropriate.

## **II. Case studies: The role of the social partners in France, Germany, the Netherlands, and the United Kingdom**

### **1. France**

#### **1.1 Introduction**

The most important features of the French industrial relations system are the weakness and pluralism of trade unions, the fragmentation of collective bargaining, the plurality of negotiating levels, and the importance of the state in conflict arbitration. France has a long tradition of state intervention and the social partners have not been able to develop their own autonomous sphere of collective regulation.

The political and ideological fragmentation of the system of industrial relations, especially on the trade union side, has not been offset in France by the development of corporatist forms of co-ordination as was the case, for example, in the Netherlands. Rather industrial relations in France are characterized by a high degree of conflict and the lack of a consensual approach, which is manifest inter alia in high strike rates. The relative strength of the Communist left in the trade union movement and politics is undoubtedly an important reason for this conflictual style.

The principal trade union confederations are CFDT (Confédération française et démocratique du travail), CGT (Confédération générale du travail), CGT-FO (Confédération générale du travail - Force ouvrière), often abbreviated FO, CFTC (Confédération française des travailleurs chrétiens) and CGC (Confédération générale des cadres), the latter being the French managerial staff union. In contrast to the variety of trade union organizations, which are fragmented into rival religious and ideological confederations, there is only one significant employers' association at the national level: the CNPF (Conseil national du patronat français). It negotiates on major issues related to working conditions, but is not involved in wage bargaining, which is the concern of the sectoral level confederations. There is also an association which represents small and medium-sized companies, the CGPME (Confédération générale des petites et moyennes entreprises). Approximately 90% of French companies are affiliated with the CNPF and its sectoral organizations. The CNPF addresses general social and economic issues relevant to business on the national level as well as employment-related issues. The CNPF comprises 83 sectoral employers' associations of various types in manufacturing, commerce and services, as well as 163 regional associations at the departmental or local level.

Although corporatist institutions for policy co-ordination have never developed in France to the same extent as, for example, in Austria, Sweden, or the Netherlands, two high-level institutions in the industrial relations system should be mentioned before discussing institutional channels more directly related to active policies: the "Conseil économique et social" (CES) and the "Commissariat Général au Plan" (CGP). The CES, that is the Economic and Social Council, was established in 1958 (Constitution of the 4th October 1958; decree of the 29th December 1958).<sup>32</sup> The CES was established to serve three purposes: to be a consultative body to government, providing it with independent advice on a variety of issues; to give interest groups

<sup>32</sup> It succeeded the Economic Council (Constitution of the 27th October 1946), which in turn, is derived from the National Economic Council (decree of the 16th January 1925; law of the 19th March 1936) .

the opportunity to participate in a public policy forum and to express

their opinions to the government; and to provide a forum for the development of a consensus on important national issues. The CES includes 231 members divided up into 18 groups and serving for five years. The appointment procedures of these advisers differs: 163 among them are appointed by socio-professional groups, and 68 others are appointed by the government.<sup>33</sup> According to the officials interviewed, the CES concerns itself with so many aspects of social and economic life, that it cannot be regarded as a consultative body to the government on active labour market policy. However the government may ask the CES to give its opinion on a specific subject when preparing a law, and the CES sometimes offers its advice.

#### Employers' Associations

C **CNPF** Conseil national du patronat français (National Council of French Employers). Ca. 90 per cent of French companies are affiliated with the CNPF.

C **CGPME** Confédération générale des petites et moyennes entreprises (General Confederation of Small and Medium-sized Companies).

#### Trade Union Confederations

C **CFDT** Confédération française démocratique du travail (French Democratic Confederation of Labour). Socialist orientation with ca 500,000 members, it receives about 20 per cent to 25 per cent of votes in works council elections.<sup>34</sup> Participates in all national negotiations and is represented in all important consultative bodies.

C **CGT** Confédération générale du travail (General Confederation of Labour). Communist orientation with ca. 1 million members, it receives 25 per cent to 30 per cent of votes in works council elections.

C **CGT-FO** Confédération générale du travail - Force ouvrière (Workers' Force). Reformist-socialist orientation with ca. 1 million members it receives 10 per cent to 15 per cent of votes in works council elections.

C **CFTC** Confédération française des travailleurs chrétiens (French Confederation of Christian Workers). Ca. 250.000 members, this Christian-reformist union receives about 3 per cent to 5 per cent of votes in works council elections.

C **CGC** Confédération générale des cadres (General Confederation of Executive Staffs). Circa 180,000 managerial personnel. Participates in national negotiations and negotiations at firm level. Represented in various consultative organizations.

The CGP, the General Planning Commission, was established in 1946 by a government seeking to bridge divided interests for the task of post-war reconstruction. It was conceived as a way of providing permanent and systematic reflection on the problems and prospects of the economy with a view to action; its role was to advise the government in the drawing up of plans (long-term policy presentations). Indeed, several Plans have been set up with the participation of CGP (and its commissions). Today, CGP no longer has this role; it is still a

<sup>33</sup>In addition to these 231 advisors there are 72 "section members" appointed for two years and having an expert's role in the section which receives them (the CES is divided in several sections, each one treating different topics).

<sup>34</sup> It should be noted that this figure here and for other trade union organizations merely reflects the distribution of votes in the principal consultative body at the plant level and not union density, which in France is very low.



forum for discussion but no longer directly linked to policy.<sup>35</sup>

In general the social partners have three institutional channels for influencing the design and implementation of active labour market policy measures (apart from their participation in the general political process). The first way is so-called "tripartism", by which is meant institutions involving both the state and social partners, especially the public employment service and related institutions. The second way, "bipartism," is quite similar to "tripartism" with the only difference being that only representatives of labour and management are involved in the institutions. Collective agreements, the third way, represent the traditional sphere of labour regulation carried out by the social partners. Of these different channels, bipartism is the most distinctive French pattern and usually interpreted in relation to "neo-corporatism."<sup>36</sup>

Several forms of bipartism exist. According to Ires (1996) there are two types of bipartism: First, a "pure" bipartism based on collective agreements. The institutions of pure bipartism are characterized by decision-making by labour and management with only a subsidiary role for the state. The second form of bipartism corresponds roughly to the participation of social partners in state management; in other words, it is constituted by institutions established by law in which all important decisions are made by the state (government, administration and recently parliament).

## **1.2 Tripartism in the public employment service**

The main institutions of the public employment service were established in the period between the end of World War II and the early 1970s. The institutions in question are ANPE (French National Employment Office), AFPA (Adult Professional Education Association), UNEDIC (National Union for Industrial and Commercial Employment), FNE (French National Employment Fund)<sup>37</sup> and the labour ministry (organized at different levels) and the inter-departmental structures. The most important tripartite institutions related to active labour market policy are discussed in this section: ANPE, the national placement office, AFPA, the national vocational training association, various committees involved in employment policy and vocational training. UNEDIC, the bipartite self-administration of the French unemployment insurance system, is discussed in the following section. In addition to the tripartite or bipartite organizations described here, the labour ministry is also a major actor in the delivery of active measures.

### *"Agence Nationale Pour l'Emploi" (ANPE)*

ANPE is the national employment office and the central organization of the public placement service. Established in 1967, it is a national public body with an independent legal status but under the authority of the labour minister. The ANPE has two principal missions.

<sup>35</sup> Centralized "planification" lost much of its sense after the state began a decentralization process that gives the regions more autonomy.

<sup>36</sup> The French case is quite special and opinions differ about the degree of corporatism. For example, Tixier (1995) shows that three different forms of corporatism coexist (micro, neo and industry corporatism) whilst Duclos and Mériaux (1995) are of the opinion that there is an homology between neo-corporatism and bipartism (the latter being the French version of neo-corporatism). Ires (1996), on the other side, stresses the originality of French corporatism compared to other industrial countries: In France the social partners have no autonomous sphere of social regulation; bipartism must therefore be regarded as small islands (of autonomy) periodically subjected to state intervention.

<sup>37</sup> FNE (Fonds national de l'emploi) was created by the law of the 18th December 1963. It is not a body with legal status but a budget fund at the disposal of the employment minister. FNE aids are granted through contracts negotiated between the employer and the administration.

First, it has to assist people seeking employment, training or professional counseling. At the same time, it has to assist employers in recruiting personnel.

The ANPE is governed by a board headed by a Director-General, who is appointed by the minister of labour. In 1980 a tripartite board of management was introduced in which ANPE's users are represented. By law the board of management deliberates on ANPE's general strategies and development plans, cooperation agreements at the national level, in particular with UNIDEC, the bipartite organization that administers the unemployment benefit system (see below), and its budget. Tripartite regional and departmental committees were introduced in 1986.<sup>38</sup> The representatives of the employers and workers are appointed by the most representative employers' and workers' organizations.<sup>39</sup>

Despite its formally autonomous status, the ANPE and its governing board have basically very little independence vis-à-vis the state (Hamoniaux, 1995). Its principal officials (the president of the board of directors and the managing director) are appointed by the labour minister, and the decisions of its governing board are enforceable only if approved by the minister; and finally, its personnel is subject to civil service status. Its financial autonomy is even more limited: 70 per cent of his budget comes from a direct state grant and the rest from the Fonds National de l'Emploi.

Recently, the state has started a devolution (déconcentration) process in the placement service<sup>40</sup>: the government decree of the 20th December 1986 widens the number of organizations with which it co-operates but ANPE maintains management and control. The idea of partnership has been further developed in two multi-year operating agreements signed in 1990 and 1994 between ANPE and the state called "progress contracts" (contrats de progrès), which establish a link between state provision of financial resources and ANPE results.

The representatives of the social partners interviewed (members of the board of directors) were skeptical about their impact on active labour market policy through their participation in ANPE because of their limited influence within the organization and because the organization itself is largely subordinate to the state. Employers' representatives regard the acceptance by ANPE of the idea that enterprises as well as the unemployed are its clients as their most important success, while most union representatives regard their participation within ANPE as having little real impact.

#### *"Association Nationale pour la Formation Professionnelle des Adultes" (AFPA)*

AFPA, the National Association for Adult Vocational Training, which was established in 1966, is one of the key components of the public employment service. AFPA is principally a training center. About 40 per cent of training for the unemployed is carried out in its centers. It is an association under control (sous tutelle) of the state, which means that its policies are fixed by the labour minister, and nearly 70 per cent of its resources comes from public sources

The AFPA has a tripartite governance structure. Its General Assembly, in which the ministries concerned, the employers' associations and the most representative trade union organizations are represented, is in principal responsible for all issues relating to the administration and functioning of the AFPA. The Assembly elects from its members a tripartite

<sup>38</sup> The ANPE's board of management consists of an appointed chairman; 5 members representing employers; 5 members representing workers; 5 members representing, respectively, the Ministers of Employment, Education, Finance, Industry and the Minister responsible for the local authorities.

<sup>39</sup> Trade unions recognized by law and the most important employers' organizations.  
<sup>40</sup> "Déconcentration" means about the same as decentralization, but decentralization is used for the political structure whereas "déconcentration" is used for the state administration.

managing committee, and it also appoints the president, who is responsible for implementing the committee's decisions and for the conduct of day-to-day business, and a director, whose appointment is subject to the approval of the Minister of Labour.<sup>41</sup>

A reform of AFPA that began in the early 1990s rests essentially on two contracts: the "objectives contract" (contrats d'objectifs) and the "progress contract" (contrat de progrès). The objectives contract signed in March 1991 fixed the plans of AFPA for 1991, 1992, 1993. The basic idea of this contract was to improve the management, to reinforce the autonomy of the organization, and to pursue the devolution (deconcentration) of the association. In contrast to the general principles affirmed in the "objectives" contract, the progress contract gives a precise answer concerning the mission and the organization of AFPA.<sup>42</sup>

The social partners seem to have more influence in AFPA than in ANPE. This is probably due to their generally greater influence in the domain of vocational training. However, AFPA remains an instrument of the government: It has a public service mission and has to follow public employment policies.

*Committees for employment and vocational training: CSE, COREF and CODEF, "Comités (locaux) de bassin de l'emploi" (CBE)*

The "Comité Supérieur de l'Emploi (CSE), the "Comité Régional de la Formation Professionnelle, de la Promotion Sociale et de l'Emploi (COREF)" and the "Comité Départemental de la Formation Professionnelle, de la Promotion sociale et de l'emploi (CODEF) have similar roles, which they exercise respectively at the national, regional and departmental levels. Their composition is tripartite with a more or less equal number of labour, management and state representatives. Their original mission was to consult on local implementation of employment and vocational training policies. According to experts interviewed, their effective role is quite limited: They mostly deal with the examination of adjustment-related subsidies to firms financed by the FNE, usually when enterprises face mass dismissals. Conflicts arise in the meetings as a rule when unions do not agree with the necessity of dismissals and disapprove the financial support of the state, which they regard as encouraging lay-offs.

The "comités locaux de l'emploi" (CBE, local employment committees) were established by law in 1982 and reformed in 1993.<sup>43</sup> At this occasion their name was changed; now, they are called "comités de bassin de l'emploi" (labour pool committees). These committees are composed of local councilors, company managers and workers' representatives. Their primary functions is to serve as an advisory body for the prefect and to act as an intermediary for governmental employment and training measures and to promote local employment policies. The coordination of the activities of the different CBE is ensured by a national "comité de liaison des comités de bassins d'emploi" (CLCBE; liaison committee). According to experts interviewed, CBE essentially helps local associations and employers by giving information and forming working groups. It is an arena of communication and discussion but not of policy-making.

<sup>41</sup> AFPA has technical tripartite advisory bodies that are organized at the industrial level, the so called "Commission professionnelles consultatives" (CPC; Advisory professional commission). The CPC is involved in the elaboration of occupational profiles degrees and is consulted by the minister of employment, in order to define vocational training policies.

<sup>42</sup> It implies three basic changes: First, the redefinition of relations between the state and AFPA based on the principle of control a posteriori; i.e. management by results; second, the modernization of the AFPA (e.g. diversification of training, productivity improvement); third, development of partnerships with regional and local actors.

<sup>43</sup> For a general overview of the evolution of CBE, see Comité de liaison des comités de bassin d'emploi, 1991.

In most cases, the tripartite institutions discussed above are not involved in general policy orientation, but rather in the implementation of established measures. In short, the social partners don't have any role in the design but at the very most some influence on the implementation of active measures. With regard to the degree of influence it should be stressed that social partners only have a consultative role, and never decision-making power. The social partners themselves, at least those interviewed, seem to give little importance to these institutions. In their opinion, this channel provides them with very little influence. In their view the institutions of tripartism largely instrumentalize the participation of the social partners for policies made by state authorities (governments)

### **1.3 Bipartism in the unemployment benefit system**

This section reviews the most important bipartite institution with an influence on active labour market policy: the unemployment benefit system (UNEDIC), which has recently developed a programme of activating passive expenditure. The role of the social partners in the vocational training system, which is an important area of activity in France as well as in most other countries, has been analyzed elsewhere in detail (Streeck et al. 1990) and is not discussed here.

The "Union Nationale d'Emploi dans l'Industrie et le Commerce" (UNEDIC) is a non-profit association established in 1958 by interprofessional agreement, i.e. by the social partners. Because the unemployment insurance system originates from an agreement between the social partners, its decision-making bodies are bipartite structures. UNEDIC is governed by a bipartite council which every two years appoints a managing board from among its members. Its chairman is alternately a representative of the employers' associations and a union representative. The managing board has the task of managing the day-to-day operation of UNEDIC.<sup>44</sup> From a formal point of view, UNEDIC corresponds exactly to the description of pure bipartism. Yet, the real role of social partners in the unemployment system functioning is more ambiguous, as the state continuously intervenes in its activities.

Before analyzing the real role of social partners in the system, it should be noted that UNEDIC's role in active labour market policy has recently increased. In fact, since 1986 UNEDIC has been developing a programme of activating passive benefits. In particular, four schemes were introduced to promote employment: the "Convention de conversion" (retraining contract), initiated by the inter-professional agreement of the 20th October 1989, the "Allocation Formation-Reclassement" - AFR (training/career change benefit), introduced by the inter-professional agreement of the 6th July 1988, the "Convention de coopération" (cooperation contract), initiated by the inter-professional agreement of the 8th June 1994 and the "Allocation de Remplacement pour l'Emploi" - ARPE (job replacement benefit), introduced by the inter-professional agreement of the 6th September 1995. The latter agreement also provided for creation of a Bipartite Fund to Promote Employment, the "Fond Paritaire d'intervention en faveur de l'Emploi" (FPE).

The first two schemes fall into the category of retraining and have been implemented with a strong state participation. The retraining contract scheme was made compulsory by the law the 2nd August 1989 (companies must offer all employees affected by a redundancy programme

<sup>44</sup> Assedic (Associations pour l'emploi dans l'industrie et le commerce) - Association for industrial and commercial employment - is comparable to Unedic. Unedic is organized at the national level, whereas Assedic is organized at territorial level and has to join Unedic.

the possibility of signing a retraining contract) and is co-financed by the state.<sup>45</sup> The AFR was set up with the direct intervention of the state, which is, moreover, the principal sponsor. On the other hand, the last two schemes mark the determination of the social partners to strengthen their own action to promote employment. ARPE competes with two other early retirement programmes financed by the FNE.<sup>46</sup>

These measures are really important, as they mark the first step in the development of the social partners' own employment policy. In particular ARPE is considered as resulting from an "historic" agreement. All experts interviewed agreed that ARPE is the most important measure in years with respect to the influence of social partners on active labour market policy. The employers' association CNPF even makes a (partially prospective) comparison between UNEDIC and ANPE: they are the respective employment policy instruments of the social partners and the state.<sup>47</sup>

### *Relations between the state and the social partners in UNEDIC*

The relationship between the social partners and the state (with regard to UNEDIC) can be outlined in four stages (Ires, 1996, p. 97-101). Since 1958, the unemployment benefit system had consisted of two pillars: public assistance and the contractual bipartite insurance system (UNEDIC). Faced with increasing unemployment, conflicts emerged at the end of the 1970's. On one hand, the state criticized UNEDIC's benefit structure for giving unequal benefits to different categories of the unemployed and for being too complicated. On the other hand, the social partners blamed the state for the financial problems of the system (cutbacks in the state subsidy and in some case overly generous benefits). As a result, the system was reformed in 1979.<sup>48</sup> At the beginning of the 1980's a new conflict arose over financial problems due to the rise in unemployment, the expansion of early retirement measures, high benefit levels, and the failure of the state to adhere to the 1979 agreement. The social partners opened negotiations in June 1982 but broke them off in October because of a disagreement about the necessary savings. Unlike the unions, the employers' associations (CNPF and CGPME) opposed an increase in benefits and proposed major savings. In November 1982 CNPF canceled the contract of 1979 and proposed setting up a new unemployment benefit system. The government intervened to regulate "exceptionally and provisionally the functioning of the system" (decree of 24th November 1982). This decree altered neither the nature of the system nor the functioning of the bipartite institutions, but reformed the benefits (reducing their length) and the early retirement measures (restricting access). Following this crisis, negotiations started again. The CNPF proposed separating unemployment insurance, managed only by the

<sup>45</sup>It should be noted that UNEDIC has allowed ANPE to implement this measure, i.e. to organize the training; the measure is thus bipartite in origin but implemented by a tripartite institution.

<sup>46</sup> Some statistics: In 1996, about 100 000 people joined a scheme of early withdrawal from employment: 45 277 persons benefited from the public early retirement programmes (ASFNE and PRP) and 52 211 from the ARPE. According to the analysis, the drop in programme entrants in 1996 compared to 1995 (- 10,4 per cent) - particularly striking as far as the PRP is concerned, since entries in this scheme had been constantly increasing before - can be explained (besides the evolution of budget allocation) by the increasing competition of ARPE (18.7 per cent more entries in 1996 than in 1995). At the end of December 1996, 232 637 persons were getting an early retirement indemnity: 128 442 on a ASFNE basis, 54 672 on a PRP basis and 49 523 on a ARPE basis. The 31st August 1997, ARPE had 63 479 beneficiaries and 70 447 replacement new hires had been realized. Uptake of the cooperation contracts has resulted in 30 000 hires since it came into force (until the end of August 1997). See CNPF 1997.

<sup>47</sup> It should be noted, however, that most active measures are still carried out by the state. For a detailed description of these UNEDIC measures, see Ginest 1997.

<sup>48</sup> By unifying it within the contractual regime administered by the social partners with a state subsidy.

social partners and financed by contributions, and the solidarity (new term for assistance), which was to become a state responsibility financed by taxes. But CFDT and CGT refused to sign the written agreement. The state entered directly into negotiations, and an agreement signed by all employers and employees federations was reached. It established the principle of the separation between insurance and solidarity. The state was now made completely responsible for some types of benefits: early retirement, training stipends (vocational training) and aid for enterprise creation by the unemployed. The period between 1984 and 1991 is characterized by a relative stabilization of the system, even though successive negotiations changed both the conditions of benefits and the system financing. Despite the new division of responsibility in the system, the state continued to intervene. For example, it directly participated in the setting up of the training/career change benefits (Allocation de Formation Reclassement) and financed these measures for the most part.

Because UNEDIC has continued to experience financial problems since 1992, several modifications have been decided. Two agreements are particularly important: the agreement of the 18th July 1992, which tightens benefit conditions, and the tripartite agreement of 23rd July 1993, which aims at restoring the fiscal soundness of the system. In the latter agreement, the state committed itself to paying a subsidy, and the social partners committed themselves neither to lower the contribution rate nor to increase benefits. A tripartite supervisory council was also established, the "Conseil d'Orientation et de Surveillance" (COS), which is responsible for the auditing of UNEDIC's accounts as well as for co-ordination and control measures.

This review of the most important stages of UNEDIC's evolution shows the ambiguity of the relationship between the social partners and the state: The latter seems to encourage and support the bipartite system, though it constantly intervenes. In crisis situations conflicts between the state and the social partners typically relate to their respective roles in financing the system. By contrast other conflicts are mainly linked to state interventions in UNEDIC policies related to employment policies. Conflicts among social partners exist, too. For example, there is a traditional conflict over the mission of UNIDEC: Should it provide a pure insurance scheme or also engage in employment policies? Power conflicts between unions for the presidency are also common (usually between FO and CFDT).

It should be stressed that UNEDIC is at the heart of active labour market policy because public employment policy and unemployment benefits have been traditionally closely linked. Furthermore, and it might be the most important point, UNEDIC has recently developed an employment promotion policy through the activation of passive benefits. Yet, UNIDEC's real influence must be relativized. UNEDIC's sphere of bipartism (toward the state) has been constantly re-defined. The recent events go both in the direction of more autonomy (activating benefits programmes ) and less autonomy (institution of a tripartite council in 1993), but history seems to give more evidence in favor of state intervention, so that one could speak of "bipartism under control" (Ires 1996: 21).

#### **1.4 Collective agreements and active policies**

As a rule the social partners can make collective agreements at three levels: the national inter-professional, the industry, and the enterprise (plant) levels.<sup>49</sup> Since 1980 the state has

<sup>49</sup> It is important to note that there is a sort of competition between the different negotiation levels, as no restrictions exist, except for a hierarchical principle. According to this principle, agreements concluded at a lower level have to be at least as favorable (to employees) as agreements concluded at superior levels. (In recent years, exceptions have been increasingly permitted.)

been encouraging collective agreements. In particular, the Aurox laws have stimulated collective agreements (the number of collective agreements has been constantly rising since then) by introducing several negotiation obligations: at the industry level, an annual negotiation over minimum wages and periodic (every 5 years) negotiations over wage structures and training; at the plant level, an annual obligation to negotiate over wages and working-time. In this section we do not discuss agreements at national and industrial level, since the most important ones (with respect to public employment policy) have been integrated in the discussion of UNEDIC.<sup>50</sup> We will however discuss the plant level and working time reductions.

The number of local agreements on employment has been constantly increasing since the beginning of the 1990s (2.6 per cent of all plant agreement in 1990 and 9.6 per cent in 1996. Wages and working time are the two most negotiated subjects, with the latter recently increasing in importance. In 1990 57.9 per cent of the agreements were on wages and 38.2 per cent on working time, whereas the respective proportion were 41.8 per cent and 43.1 per cent in 1996).<sup>51</sup> Since 1982 the state has been stimulating collective agreements on working-time (reduction and organization) especially at the enterprise level. The most important working-time measures were the introduction of 39-hour work week (decree of the 16th January 1982), the establishment of an annual obligation of negotiating working time at enterprise level (Aroux law of the 13th November 1982) as well as the establishment of several possibilities not to comply with the labour laws (or with norms fixed by collective agreements at a superior level), a mechanism which is called in French "dérogation". In particular the possibility of varying weekly working-time over the year was encouraged by different laws (law of the 28th February 1986; law of the 22 June 1987; Five-Year Law of 1993). The special characteristic of these "dérogations" is that they must be decided through collective agreement (in most cases an enterprise agreement is sufficient). In June 1996 a working-time reduction law was passed (called "loi Robien") which is particularly interesting because it makes an employment policy subsidy to an enterprise subject to the conclusion of a prior collective agreement. In short, each enterprise reducing working-time and hiring people at the same time (or avoiding dismissals) is partially exempted from social security contributions (different modalities are allowed). The enterprise has to conclude an agreement with unions, in order to sign the contract with the state. All these legal measures can be regarded as having two aims: first encouraging collective agreements in order to delegate some labour regulation and second, having an impact on employment both through work sharing and through better adaptation of labour use to the market situation (working-time flexibility). Although the impact of these working-time measures on employment is controversial, they have increasingly been the subject of regulation through collective agreements.

By way of conclusion, we will present some general remarks on collective agreements. First of all, the interplay between laws and inter-professional agreements works in the two ways: Sometimes, the social partners conclude an agreement that inspires subsequent legislation, while at other times legislation imposes a rule which is then adapted to concrete situations by the social partners through collective agreement (this is mostly the case when social partners cannot manage to find an agreement). Nevertheless, even though the state formally encourages collective agreements, i. e. joint decisions by the social partners, historical experience suggests that as a rule it regards employer as the only legitimate partner for

<sup>50</sup>It should be noted that there have also been important national and industry collective agreements on training for the employed and youth measures that are not discussed here.

<sup>51</sup> For an overview of working-time policy since 1980, see Freyssinet (1997).

employment decisions; most employment subsidies result from a contract between the state administration and the employer and seldom require a plant agreement, i.e. approval by trade unions. Finally, two phenomena should be stressed, with regard to the specific role of social partners in employment policy: on one hand, active labour market policy measures are mostly decided by the state and only in a second stage applied in the firm (with different degrees of involvement of the social partners); on the other hand, even if the social partners have recently shown a willingness to strengthen their own actions to promote employment (and hence to take a partial responsibility for the employment situation), structural and cultural problems still hamper the collective bargaining process.

## **2. Germany**

### **2.1 Introduction**

The German social partners are highly organized and relatively centralized pillars of the industrial relations system with a recognized and firmly established role in other social and political institutions. German industrial relations have a strong tradition of autonomous collective bargaining and successful co-operation at the national, industry and plant level, with a corresponding relatively low level of industrial conflict. Although Germany has never developed the type of centralized corporatist forms of co-ordination found, at least in the past, in the Netherlands and Austria, the social partners are highly integrated in the social and political decision-making process through consultative procedures and direct participation in the management of numerous institutions (e.g. the public employment service, social insurance carriers, vocational training, universities etc.).

The national trade union confederation, the DGB (Deutscher Gewerkschaftsbund) comprises ca. 11 million members in public and private sectors in its affiliated sectoral unions. It has only indirect influence on collective bargaining at sectoral and regional levels but is the principal representative of the German trade union movement at the national level and in consultative bodies. Unlike its counterparts in France and the Netherlands the German union movement is not fragmented along ideological and confessional lines in rival confederations. The largest member unions, e.g. Metal Workers (IGMetall) and the union of public employees (ÖTV), frequently play an independent political role.

The BDA national organization of German employers' associations (Bundesvereinigung der Deutschen Arbeitgeberverbände) represents employers with about 80 per cent of private sector employment and 80 per cent to 90 per cent of employers are affiliated. It plays a leading role in consultations between employers and the state and is presented in all important consultative bodies. In contrast to the trade unions, employers' interest outside industrial relations are represented by multiple organizations, of which the Industry Associations and Chambers of Commerce are the most important.

### **2.2 Tripartism in the public employment service**

The German Employment Service (Bundesanstalt für Arbeit; BA) is a self-governing body incorporated under public law. It is responsible for both active policies (placement, vocational counseling, labour market training and other active programmes) as well as for the administration of unemployment benefits. Its self-governing organs have a tripartite structure with equal representation of employees, employers and public bodies (Federal and Land Governments, and local governments). This principle is applied both at the national level of its Governing Council (Verwaltungsrat) and Executive Board (Vorstand) as well as at the level



of the regional and the local employment offices with their tripartite administrative committees (Verwaltungsausschüsse). Representatives of the social partners are appointed on the basis of nominations from employers' and trade union organizations at the respective levels (§195 AFG).<sup>52</sup>

The BA's tripartite Council and Executive Board play an important role in the selection of principal BA officers. The presidents and vice-presidents of the BA and of the Land regional labour offices are nominated by the Federal government and appointed by the Federal President. However, the Federal government is required to consult with the BA's tripartite governing Council before making nominations and may deviate from its advice only for "serious reasons." Other high officials of the BA are nominated by the BA's executive board. (§211 AG).

The Council enacts the statutes of the BA and issues decrees and regulations within the scope of its autonomy. It must ratify the budget proposed by the Executive Board, which must subsequently be approved by the Federal Government. The BA is financed through unemployment insurance contributions by employers and employees, the contribution rate is, however, determined by statute and not by the BA itself.

The tripartite administrative committees of the Regional and Local Employment Offices assume the tasks of self-government for their respective districts, including submission of proposals for the central budget and consultation by the nomination of the President and Vice-President of the regional PES offices or the director of the local PES. The administrative committees oversee PES operations principally through specialized committees, e.g. the Job Creation Programme Committee. Members of the administrative committees are recruited from the regional offices of the trade unions or employers' association and from Land level of public authorities. In the case of the local PES committees, recruitment is from local union and employers' association officials and from the municipalities and their associations (Linke 1994).

### *National level*

Despite its status as a self-governing institution, the BA's independence is in practice limited. Both administrative regulations (Anordnungen) and the budget approved by its Council require the approval of the Federal Minister for Labour and Social Affairs (and in some cases the Minister of Finance). Moreover, regulations and, if the BA's budget is in deficit, budgetary stipulations can be directly imposed by the Minister if the BA's own administration fails to comply with his instructions (§191, §216 AFG).

The limited autonomy of the BA vis-à-vis the government is best illustrated by the budget process since the fact that the BA has its own budget and funding through contributions is its greatest mark of independence in comparison with other tripartite labour administrations (Linke 1994; Bruche and Reissert 1984).<sup>53</sup> Although the BA formulates its own budget, it has no control over the contribution rate on the revenue side nor, for example, over benefit levels or training stipends, which are fixed by statute. Moreover, its budget it has to be approved by the Federal Government (the Minister for Labour and Social Affairs). Since 1993 the Minister can

<sup>52</sup>The Executive board is composed of 3 representatives of the social partners as well as three public representatives (1 from the federal government, 1 from the Bundesrat, the Federal Council of the Länder, and 1 from the Deutscher Städtetag, the national organization of the German municipalities. The Council is composed of 17 representatives from each group. The administrative committees at the regional and local levels consist of from 15 to 27 members (the exact number is set by the Council). The administrative committees of the local PES offices consist of from 9 to 21 members -- the exact number is fixed by the administrative committees of the regional PES offices.

<sup>53</sup> Resources in the form of unemployment insurance contributions and any accumulated reserves .

implement the budget on his own authority if the Council does not accept the budgetary stipulations imposed by the Minister. This situation can arise, only if the BA's budget is in deficit (§216 AFG), i.e. it is unable to finance proposed expenditures through its own resources (unemployment benefit contributions and any reserves it may have accumulated). However, the current high levels of structural unemployment and the high costs of transfers to East Germany mean that there is a chronic budget deficit and that, consequently, the BA has experienced a significant loss of independence (Linke 1994).

Budget issues, in particular about the level of ALMP expenditure, have in fact been a principal source of conflict between the BA's self-governing organs and the government in recent years. There have been such controversies already in the past (Haushaltsstrukturgesetz of 1976; Arbeitsförderungskonsolidierungsgesetz of 1982; Haushaltsbegleitgesetz of 1984) in which cases the government imposed its will through statutory changes. More recently (December 1992) the BA's Council refused for the first time to implement a budget with cuts imposed by the government (the 1993 budget). This conflict was repeated the following year as the Council refused to implement the 1994 budget because of its opposition to massive cuts in training programmes due to take effect in that year. Nevertheless, due to the legislative changes noted above (10th Amendment to the Labour Promotion Act, §216 Para.3), the Minister was empowered as of January 1 1993 to impose the stipulated budgetary changes even without the consent of the Council. Because almost all decisions of the self-governing bodies of the BA have financial consequences, the Minister is now in a much stronger position to impose his views regarding active measures than was the case in the past (see Linke 1994: 18-19).

A similar conflict occurred over the 1997 budget. The Federal government approved the BA's budget only with amendments regarding the level of the proposed deficit (reduction from 9.4 to 4.1 billion DM) and itemized instructions as to how this was to be implemented. In this case a majority consisting of representatives of trade unions and of the Länder and municipalities voted not to implement the budget, objecting to the cuts in active measures and to the Government's efforts to shift the risk of an increase in the deficit due to deteriorating labour market conditions onto the BA.<sup>54</sup> In this case employer representatives supported the position of the Federal government. Employers argued that the effectiveness of active measures was declining and that it was important to reduce the Federal budget deficit and unemployment insurance contributions of enterprises in order to improve the environment for economic growth and the expansion of employment (BA Geschäftsbericht 1996). In recent years the social partners also disagreed over the legalization of private employment agencies, which was opposed by the DGB but advocated by the BDA employers' association.

In other situations the social partners also exhibit shared interests regarding labour market policies and the BA as a tripartite institution. For example, the social partners have recently criticized the extent to which costs related to German unification (transfers for unemployment benefits and active measures in East Germany) have been financed from unemployment insurance contributions (the BA's revenue base), resulting in a chronic deficit, and called for a shift in financing toward reliance on general revenues in the financing of non-insurance related tasks of the BA. Both also rejected proposals to include representatives of other societal groups besides trade union and employers' organizations associations in the BA's administration. They criticized, furthermore, a proposed increase in power of the Minister for

<sup>54</sup>By statute the Federal government must finance any deficit that the BA is unable to finance from contributions or its (non-existent) reserves.

Labour and Social Affairs to intervene in the internal affairs of the BA. The social partners were also in agreement in criticizing the government's plans to take severance payments into consideration in the future in calculating entitlement to unemployment benefit, which increases the costs of redundancies to both employers and employees (BA Geschäftsbericht 1996).

In summary, the independence of the BA is quite limited: Not only is it financially dependent on the Federal government, especially in periods of deficit financing, but even its regulations (Anordnungen) require not only the approval of the BA's Council but also the approval of the Minister for Labour and Social Affairs. There is thus not only a general legal supervision of its activities by the Minister BMAS but also a detailed oversight and potentially control of its activities.

### *Tripartism at local level*

There has been no systematic study in Germany of the operation of the functioning of the tripartite administrative committees at the employment service district level and their impact on active measures. Nevertheless, the finding of numerous local implementation case studies suggest that the tripartite bodies have little importance in policy-making at the local level, even in comparison with their limited influence at the national level (Maier 1988; Hübner et al. 1991). Thus Maier (1988) reports that while there is considerable variation in local style, the norm is routine committee work with 4 to 6 meetings per year. The actors involved perceive little possibility for influencing policy and their principal function appears to be to serve as a channel of communication about local PES activities to local actors. If the tripartite administrative committees actually attempt to become involved in policy-making, the local PES office regards this as interference in their work and reacts warily (FM 160-164, 181-188). The involvement of the social partners at the local PES level varies somewhat depending on the policy area. Whereas in case of direct job creation measures (ABM), a policy area of great interest to the social partners and the municipalities, every proposal is examined at least pro-forma (ABM-committee), training policies are usually not even discussed in the self-governing bodies (Maier 1988: 229; Hübner et al. 1991).

Our own interviews confirmed the findings of the existing case study literature: The local administrative committee meets typically only 4 time per year. Its activities are largely formal with little real impact on policies. The local PES office regards it as just another "transmission belt" for information to local actors but not even as an especially important one. Most active is the local ABM (job creation project) - committee, which meets typically once per month. Even in this case, however, approval of projects is routine. As a rule a long-list of projects is read out and approved without discussion. If there is any conflict, it is typically about the geographic distribution of projects rather than, for example, between the social partners. Industry groups (e.g. landscaping firms) sometimes express concern about unfair competition from projects; unions sometimes criticize subsidies going to industry through training and retraining measures (F&U), for example, in connection with training offered as part of packages to attract new regional investments, but there is no real opposition. Local PES officials report that they do take comments of employer, employee and public representatives into consideration in formulating policies but that this is not a major influence.

A principal explanation for the passivity of the local tripartite committees appears to be the generally low level of policy autonomy enjoyed by local German PES offices in the highly centralized German delivery system for labour market policy. Whereas at the national level (Council) the interests of the social partners do have some impact - within the restrictive framework set by the BMA -- the density of national regulation of labour market policy so

reduces policy autonomy at the local level there is little motivation to participate. Moreover, there appears to be a structural dissonance between the Employment Service Office's status as the local affiliate of a national and politically neutral Federal agency and involvement in and commitment to local political constellations and policy initiatives (Maier 1988).

The representatives of the social partners are not inactive on labour market issues in the local policy arena, but they direct their activities and exercise influence largely through many other informal and formal channels (e.g. local employment and training initiatives, regional planning commissions) rather than through the local tripartite administrative committees of the public employment service.

### *Scope and limits of local PES autonomy*

The scope and limits of local PES office autonomy in policy making can be illustrated with reference to the budgeting process. From the point of view of decentral autonomy there are two principal questions: 1) "To what extent can the local PES office influence the structure (i.e. policy mix) and level of its annual budget allocation?" 2) "To what extent can budgeted expenditures be reallocated during the course of the year between budget items in response to changes in the labour market situation or to better reflect local priorities?"<sup>55</sup>

In principle the annual BA budget process takes place in the form of a "bottom up" notification of funding requirements for the next fiscal year and a "top down" allocation of resources in the form of line item budgets. Each year beginning in February the local PES offices and their governing boards determine their budget requirements for administration and programmes, which are submitted to the regional Land level (LAA). After discussion in the Land administrative boards, the Land budget proposals are submitted to the central BA office in Nürnberg. The administrative board of the BA decides on the allocation of funds to the Land on the basis of the budget requests of the PES offices and in light of the national BA budget framework agreed with the Federal government. In recent years this process has become shorter and increasingly centralized as the BA itself has lost considerable budgetary autonomy vis-à-vis the Federal government due to its chronic budget deficits. There is general agreement that this formal picture of the budget process from bottom up and then top down corresponds little to reality, that the budgeting process in reality has become quite centralized, and that the local PES offices have little influence over their budget allocations (Linke 1994; Maier 1988, Bruche and Reissert 1985.)

Important for the degree of fiscal autonomy of the local PES offices is the distinction between entitlements (Pflichtleistungen), i.e. unemployment benefit, short-time benefit, and discretionary measures (Kannleistungen). In the case of discretionary measures, which includes all active programmes such as training and subsidized employment, the Land and local PES offices may request levels of funding that reflect their own policy preferences. There is by contrast in principle little or no local PES discretion in administering entitlements because they are based on legal claims. For these items the allocation to local PES offices is based solely on the projected uptake, which is largely a result of labour market conditions.

In the case of discretionary measures (Kannleistungen) the regional labour offices are allocated budget ceilings by BA, in part negotiated and in part just communicated by the BA (an intervention reserve is withheld by the BA). The BA can reallocate funding in case there is an indication that available funds will not be exhausted by individual LAAs. Special

<sup>55</sup> The Labour Promotion Act (AFG) merely provides a legal framework but leaves many details open; this dimension of local variation in programme implementation is not discussed here.

procedures are followed for the allocation of funds for job creation programmes, which is determined by the ABM-Ausschuß of the BA's Council. Each year a formula for allocation of available funds is decided based on funding for ABM requested by LAAs, their unemployment rate and share of problem groups among the unemployed. The Land PES offices steer local PES office expenditure through ceilings or through continuous control of expenditure with the possibility of budget caps if expenditure threatens to exceed available funding. Since 1983 the extent to which the Länder use their own resources to support ABM play a role. (Bruche and Reissert 1985).<sup>56</sup>

Once annual budgets have been fixed, flexibility depends largely on the extent to which individual budget items have been declared to be fungible (*gegenseitig deckungsfähig*), which is historically rather limited in the German tradition of line item budgets. Moreover, this limited room for reallocation of resources can only be exercised by the BA itself but not by the Land or local PES offices (Bruche and Reissert 1985: 73ff).

In recent years greater budget flexibility has been introduced at the local level. Local PES offices may now at their own discretion shift up to 20 per cent of their funds from job creation to training measures and vice versa (OECD 1996:29). Moreover, a new programme (§249h) permits unemployment benefit entitlements to be redirected to wage subsidies for the long-term unemployed in certain types of social and environmental projects. Originally introduced in the East, this programme has now been extended to West Germany (§242s).

Evidence from interviews suggests that local PES officials regard the budget allocation process for active measures as being based on a complicated national formula that is essentially outside of their own control. They regard the above mentioned 20 per cent fungibility of funds between the job creation and training items in their budgets as their primary budgetary room for maneuver in setting local policy priorities. Another source of flexibility within a PES region is through the reallocation of budgeted funds from one PES office where allocated funds are being underutilized to another PES office where the funds can be obligated.<sup>57</sup>

It should be noted parenthetically that actual local PES outputs may differ in important respects even apart from differences in the level and composition of expenditure for active measures since PES offices are allocated a fixed sum for each type of measure independent of the actual number of participants. Thus the measures implemented by a local PES office may, for example, give more emphasis to shorter training measures for a larger number of participants or to measures with lower costs per place.<sup>58</sup> Moreover, by combining BA resources with other locally and regionally generated resources (i.e. from municipalities, Länder, the EU), for example, in job creating measures, PES offices may increase the number of programme participants at a given level of BA funding.

The recent reform of the German Employment Service, which will not come into effect until January 1998, appears to entail a dramatic increase in decentralization in the BA to the advantage of the local PES offices. Ten percent of funds for discretionary measures (i.e. active programmes) are to be allocated in the form of an "innovation fund" over which the local PES can freely dispose for innovative local measures (§9 AFRG). Moreover, the new AFRG

<sup>56</sup>According to Bruche and Reissert (1985) there is little regional rivalry over the distribution of the expenditure for discretionary programmes because of: 1) the passive behavior of the local PES offices (Normervollzug); 2) limited capacity to implement (additional) programmes due to chronic personnel shortages; 3) the split in formulation of local labour market policies between the PES offices on the one hand and regional (Land) and local authorities on the other (Bruche and Reissert 1985: 80).

<sup>57</sup>This sometimes even takes the form of informal "loans" from one PES office to another experiencing a financial bottleneck.

<sup>58</sup>For example, by greater reliance on "freie Maßnahmen" instead of (more expensive) "Auftragsmaßnahmen,"

apparently introduces global budget allocations with great freedom to shift funds and set local priorities (§371 AFRG), although the full extent of local PES autonomy will not be clear until the relevant regulations have been issued. At the same time yet-to-be-specified performance indicators for the local PES' "integration budget" are to be introduced. It remains to be seen whether this new decision-making autonomy at the local level will lead to a revitalization of the previously dormant role of the local tripartite committees in PES governance.

### **2.3 Collective agreements and active policies**

Collective agreements are an important arena of labour market policy for the social partners in Germany. Their greatest impact has been undoubtedly their contribution to employment policy through reductions in working time. Since the mid-1980s the principal impetus for work sharing in the form of reduced weekly working time has come from trade unions, especially IG Metall, the largest German union representing employees in metal working and electronics industries. After a major strike in 1984, a series of agreements for reductions in weekly working time were concluded, culminating in the 1990 agreement to reduce weekly working time in stages to 35 hours per week by 1995.

These agreements have influenced trends in other sectors, although there is considerable variation by sector in the emphasis given to reduced weekly working time (Seifert 1991, Bosch 1994). The average weekly working time in collective agreements at the end of 1994 was 37.75 hours in West Germany; the corresponding figures for East Germany in 1993 were 39.97). This trend will continue as existing collective agreements provide for further cuts in future years, most importantly for ca. 4.8 million employees covered by agreements on the introduction of the 35 hour week (Classen 1994). This goal was first reached in the metal working and electronics industry in 1995.

In contrast to the state support for reductions in working time in France since the 1980s, and public support for similar trade union initiatives in the 1980s in the Netherlands, government policy in Germany was critical of the trade union campaign (as were employers). The Kohl government introduced an early retirement programme as an alternative to cuts in weekly hours, and, more recently, government policy has endorsed promotion of part-time work. The principal contribution of public policy to these favorable trends in reductions in standard working time has been to provide a regulatory framework for working time that permits the social partners to regulate, within broad limits, daily and weekly working time, overtime, night and weekend work.

#### *Innovative work sharing*

The introduction of a 32-hour work week by collective agreement at Volkswagen has proved to be the forerunner of a new style of reductions in working time in crisis situations in Germany. Since April 1 1994 collective agreements in the German metal working and electrical equipment industries contain a provision that allows for voluntary plant-level agreements to preserve employment ("Tarifverträge zur Beschäftigungssicherung"). There are two basic variants to these agreements on temporary reductions in working time to preserve employment as stipulated in the relevant area collective agreements by which working time can be reduced to as low as 30 hours per week: 1) reduction in working time for all employees with an employment guarantee for the life of the agreement; 2) reduction in working time affecting only part of the workforce in which there is a partial compensation of wage losses (1 per cent to 7 per cent depending on reduction in hours) but no employment guarantee. The first option is intended in particular for firms who have exhausted their contingent of regular short-time

work and the second is a possible alternative to the short-time work programme .

According to a survey conducted in July of 1994, uptake of this new form of worksharing has been strong with 110 enterprises accounting for 16 per cent of all employees having concluded such agreements. On the assumption of an average reduction in working time of 10 per cent for the 500,000 employees affected by such agreements, the study implies a maximum potential impact of up to 50,000 dismissals avoided (IFO 1994). Similar provisions were subsequently introduced in collective agreements in other sectors (Rosdücher and Seifert 1994). The VW agreement itself entails a 20 per cent cut in working time for ca. 100,000 German employees or 20,000 redundancies avoided. Although no reliable data is available, it appears reasonable to assume that this innovative form of work sharing accounted for 50 - 100,000 redundancies (full-time equivalents) avoided in German industry at its peak in 1994 (Seifert 1995).

### **3. The Netherlands<sup>59</sup>**

#### **3.1 Introduction**

Until the mid-1960s the Netherlands represented a classical case of neo-corporatism in which national representative of the social partners played a direct and established role in social and economic policy-making, institutionalized in national tripartite institutions (Foundation of Labour, Socio-Economic Council). Since the 1970s, however, collective bargaining takes place at the sectoral level and the role of the national organizations of the social partners is largely confined to making recommendations to their members and participation in consultative institutions at the national level.

Historically, a special characteristic of Dutch industrial relations organization and of Dutch corporatism has been fragmentation along ideological and confessional lines. Trade unions, employers' organizations, and political parties were organized separately in relatively self-contained Catholic, Protestant, and socialist "pillars." These pillars constituted traditionally "an integrated network of organizations and institutions on an ideological basis, i.e. socialist and confessional" (Struyk 1956). Lijphart (1968) coined the term "consociational democracy" for the Dutch pattern of societal divisions along not only socio-economic but also religious lines.

The Social and Economic Council (SER) founded in 1950 is the most important consultative organ for socio-economic questions. Employers' associations and trade unions each nominate one third of its 33 members; the remaining third are public members nominated by the government. Until the end of 1994 the government was obligated by law to seek the advice of the employers and trade unions in economic and social policy.

The other central discussion forum of the social partners is the Stichting van de Arbeid (STAR; Labour Foundation; 1945). The same employers' associations and trade unions are also represented in the Labour Foundation, but it is a bipartite body without public representatives. These two key organizations in the Dutch system of co-ordinated policy making work closely together - they are even located in the same building in den Haag and share some facilities. Whereas the SER has a broader mandate for socio-economic questions, the focus of deliberations in the STAR is industrial relations: wages, working conditions, vocational

<sup>59</sup> The authors are grateful to Dick Moraal and Els Sol for their valuable comments on an earlier version of the Dutch case study.

training, and working time issues.

The most important Dutch employers' associations have been the the VNO Federation of Dutch Industry and the NCW Dutch Association of Christian Employers, which together represent about 90 per cent of larger employers. In 1995 they merged into one national association named 'VNO-NCW'. The KNOV Royal Dutch Federation of Industry and the confessional NCOV Christian Entrepreneurs' Association of the Netherlands, the two largest employers' associations of small and medium-sized enterprises, also recently merged to form the 'MKB-Nederland' (Small and Medium-sized Enterprises Netherlands), with which approximately 35-40 per cent of such enterprises are affiliated. The neutral KNLC, Catholic KNBTB, and Protestant NCBTB represent employers in the agricultural sector; in 1995 they merged to form 'LTO' (Agricultural enterprises).

#### Employers' associations

- C** **VNO/NCW** makes recommendations but plays no direct role in collective bargaining. It is represented in all important national consultative bodies and has 7 of the 11 seats allocated to employers in the SER. It was formed by the 1995 merger of the VNO and NCW. The VNO Verbond van Nederlandse Ondernemingen (Netherlands Employers' Association) includes over 100 industry and specialized associations and ca. 200 direct members representing approximately 30,000 enterprises with 10 or more employees. The NCW Netherlands Christelijk Werkgeversverbond (Netherlands Association of Christian Employers) has 95 industry and specialized associations, 300 direct members and 5 regional associations represent approximately 30,000 enterprises with 10 or more employees.
- C** The **MKB-Nederland** (Small and Medium-sized Enterprises Netherlands) includes the previous KNOV Koninklijk Nederlands Ondernemersverbond (Royal Dutch Federation of Industry), which comprised 100,000 smaller and middle-sized enterprises with ca 660,000 employees, and the NCOV Netherlands Christelijk Ondernemers Verbond (Christian Entrepreneurs' Association of the Netherlands) with 40 sectoral and industry associations representing more than 4000 enterprises with 25 employees or less (ca. 200,000 employees). The national organization is represented in all larger national consultative bodies but has no direct role in collective bargaining. The MKB-Nederland has 3 seats in the Social and Economic Council. The three agricultural associations that merged to form the LTO are represented with 1 seat in the Social and Economic Council.

There are four principal Dutch national union federations to which trade unions in all sectors of the economy, industry and services, public and private sectors belong (Van Dijk, Akkermans, Hövels 1988; MISEP 1996). The FNV, which emerged from the union of the social-democratic NVV and the Catholic NKV in 1981, is the largest trade union confederation with over one million members and accounting for about 60 per cent of all organized workers. The confessional CNV National Association of Christian Trade Unions includes about 20 per cent of all union members. Originally it organized Protestant workers, but in recent years the share of Catholics among its members has increased. In 1975 trade unions for senior and medium-ranking managers and staff founded a national federation of their own, the Vereniging voor Hoger en Middelbaar Personeel (MHP). Its circa 140,000 members account for approximately 8 per cent of all organized workers. Approximately 15 per cent of unions are not affiliated with any of these national organizations.



In 1990 the Algemene Vakcentrale (AVC) was established as a fourth national federation. It is composed of three sectors: a federation of organizations of employees in the public sector (the Amtenaren Centrale - AC), a federation of employee organizations in the semi-public sector (predominantly health and welfare), and a federation of employee organizations in the private sector. Approximately 6 per cent of all unionized workers are affiliated with this organization. In addition to these four national federations there are a number of non-federated unions, who organise about 8 per cent of the unionized workers.

#### Trade Union Confederations

- C FNV Federatie van Nederlandse Vakverenigingen (Federation of Dutch Trade Unions). A secular organization that emerged from the union of the social-democratic NVV and the Catholic NKV in 1981. The FNV is represented in national consultative bodies and has 7 of the 11 union seats in the Social and Economic Council.
- C CNV Christelijk Nationaal Vakverbond (National Association of Christian Trade Unions) Predominantly Protestant. The CNV is represented in national consultative bodies and has 2 of the 11 union seats in the Social and Economic Council.
- C MHP Vakcentrale voor Middelbaar en Hoger Personeel (Union of Middle and Higher Management Personnel). With a membership of ca. 140,000 managers the third largest national union organization above the sectoral level. Most members are in private sector. It has 1 representative in the Social and Economic Council and is represented in all major national consultative bodies.
- C AVC Algemene Vakcentrale (General Union Federation). 100,000 members largely in public sector. No direct role in collective bargaining. Frequently represented in national consultative bodies, since 1994 one seat in Social and Economic Council.

### **3.2 Tripartism in the public employment service**

The Dutch public employment service was established with the Labour Exchange Act of 1930, which also provided the legal basis for a PES monopoly by banning employment agencies from operating without a government license. Only after 1945 was a formal advisory role institutionalized for the social partners ("Central Committee for Assistance and Counseling"). In conjunction with the introduction of active labour market policy after 1969, the role of the social partners was further strengthened by the establishment of the Labour Market Council within the Socio-Economic Council, the high level tripartite advisory council. In 1971 Regional Labour Market Councils were established in every province.

Although the Netherlands has a long tradition of corporatist policy making, PES tripartism in the sense of formal participation of the social partners in the administration of active policies was first introduced in 1991. Previously only unemployment benefits had been funded and administered by bipartite sectoral level funds under the direction of the social partners.

The 1991 changes in the Dutch employment service toward a tripartite and decentralized

structure were circa 10 years in the making. In 1984/1985 the SER's Labour Market Council issued a report, after four years of deliberations, endorsing reform of the public employment service, including a strong recommendation for tripartite structures at both the central and local levels. According to participants and observers, the primary impetus for the reforms was the poor performance of the existing PES and criticism of it, especially by employers.

The tripartite form emerged only slowly in the reform discussions. Christian union and employers' organizations were early proponents, and this approach was ultimately accepted by all major actors. The unions saw their involvement in the new organization as an expression of their commitment to full employment and to equitable distribution of employment. Employers were motivated by their negative experience with the PES organization in the past and by their experience with collectively negotiated agreements on active policies, which had suffered from a lack of institutional support. Employers' representatives hoped to improve the linkages between sectoral policies and the PES (Visser and Hemerijck 1997: 168ff). The willingness of the national organizations of the social partners to participate in a tripartite labour administration is also related to their search for a new role after the decentralization of Dutch collective bargaining to the sectoral level.

The Dutch reforms of the public employment service reflected a new model of policy implementation. The previous implementation structure had been a traditional centralized administrative structure in which the social partners had only an advisory role at the national and regional levels. The new policy model was based on the premise that this form of hierarchical intervention was anachronistic and that a more decentralized and locally oriented delivery system was required, in which the role of the PES was less the administration of national programmes as active networking of public and private actors at the regional level. It was argued that the PES itself could only have a partial impact and improving labour market performance was only possible if the PES played a role in co-ordinating the activities of all the actors concerned (Moraal 1994: 4).

An important background for the 1990 reforms was the de facto increasing diversification of the delivery of active measures. In addition to the classical active programmes of the employment service, the social partners acting on the basis of collective agreements and the municipalities have become increasingly important actors. Dutch municipalities, who play an increasingly important role in Dutch labour market policy because of their responsibility for social assistance and labour market programmes for this clientele, strongly favored a far-reaching decentralization of the PES but initially opposed tripartism (Visser and Hemerijck 1997: 166ff, Moraal 1994).

### *The 1991 reform and tripartism*

After the 1991 reorganization of the PES both the central and the regional boards of the new labour market authority, which is formally independent of the labour ministry, are tripartite bodies. The central board (CBA) consisted of three representatives of the national organizations of the employers and trade union and three state representatives (Ministry of Labour and Social Affairs, Economics Ministry, Education Ministry), whereas the regional (RBA) offices included representatives of employers, trade unions, and the municipalities. At both the national and regional levels a qualified majority of 2 representatives of each group in the tripartite board was required for substantive decisions, i.e. any group could veto a decision. The fact that the government had only three seats on the central PES board and the need for a qualified majority means too that policy could not be dictated by the labour ministry.

The new labour market authority was intended to be completely independent from the Ministry for Labour and Social Affairs. This was reinforced inter alia by giving the new organization its own statutory budget, which was supposed to provide stable financing for a

multi-year period. The autonomy of the regional offices was reinforced by placing them under the direct control of the tripartite regional employment boards without any hierarchical subordination to the national employment office. The central board and office merely formulate overall guidelines for labour market policy. The central board was authorized to issue a directive to the regional boards only if 6 of the 9 voting members approved such a measure and this extraordinary majority had to include at least two voting members from each group on the central board.

#### *Goals of tripartism in the public employment service*

There were a number of clear expectations associated with the introduction of tripartism in an autonomous labour administration (Arbeidsvoorziening 1990, Moraal 1994). As noted above, a basic premise of the reforms was that the goals of labour market policy cannot be achieved by the PES alone but only in co-operation with other relevant actors, especially the social partners and the municipalities. The reforms were based on the assumption that co-ordination in active policies could be best achieved by including the relevant actors in tripartite PES governing bodies. It was assumed that giving the social partners full responsibility would increase their commitment toward active policies and that co-operation in the labour market authority would lead other actors to adapt their policies to those of the ministry:

1. It was expected that the participation of the social partners in the national PES governing body CBA would improve the linkages between the PES, which is organized along regional geographic lines, and the sectoral organization of the social partners and collective bargaining because many active programmes have a strong sectoral orientation, e.g. initial and further training. Moreover, active measures in the Netherlands are frequently implemented by the social partners at the sectoral level in collective agreements.
2. The tripartite structures at the national level were also designed to improve co-ordination within the state sector among the three ministries represented in the national labour market board (Economics, Education, Labour and Social Affairs).
3. Participation of the social partners in PES governance was also expected to improve the PES's image, especially among employers, and to increase their willingness to use its services, e.g. notification of vacancies and hiring through the PES.
4. Representation of municipalities on PES regional boards was expected to improve the co-ordination of PES activities with those of the municipalities, which play an increasingly important role in labour market policy because of their responsibility for social assistance recipients.
5. From the government's point of view tripartism meant devolution of responsibility for unemployment to the social partners, depoliticizing what may well be an intractable problem.

#### *The official evaluation of tripartism in the Netherlands*

An official evaluation of the impact of the 1991 reforms examined inter alia the impact of tripartism. Its finding can be summarized as follows (Dercksen and de Koning 1996: 23-30; Visser and Hemerijck 1997: 170-72):

1. The evaluation results on the efficiency of tripartite management of the PES were negative: The evaluation stated that the central board had failed in its management responsibilities, letting decentralization go too far, managing finances poorly, and being slow and indecisive in making decisions. Although intended to promote policies based on unanimity, the representation of interests in the CBA came to the forefront: "This

created differences of opinions which could not be solved within the management structure, and this again led to indecisiveness and postponement of decision-making" (Dercksen and de Koning 1996: 24).

2. A special structural problem was seen in the ostensibly equal status of the social partners and government in the CBA national governing board and the fact that the government side provided all funding and was given supervisory powers over the PES. It should be noted that, ironically, the principal cleavage in the national board was not between the social partners but between them and the government: In contravention of the original stipulation that the PES's independence be reinforced by granting it a budget fixed by statute for four years, the government's subsidy to the organization was in fact reduced four times. In 1994 the anger of the social partners about budget cuts and interventions by the ministry even led them to threaten to withdraw from the national board.<sup>60</sup>
3. The evaluation report criticized the "slip stream" theory adopted by the PES and strongly advocated by the social partners. According to the "slip stream" strategy, the PES can best assist problem groups to find regular employment if the PES has a good reputation with employers and a high market share in placements. The evaluation commission criticized this approach as being ineffective, and the representatives of employers and trade unions were accused of acting "in the interest of their own members" rather than for the "common good."
4. Contrary to the expectations of the reform, no links were established to sectoral collective bargaining. Moreover, co-operation between the PES and the sectoral social security institutions of the social partners was found to be rare. Although there had been an increase in the number of training and placement agreements between the PES and various branches of industry, the evaluation was of the opinion that these agreements could have been accomplished even without tripartite structures based on the interests of the parties concerned.
5. The PES was found to have an ambivalent attitude toward temporary work agencies. While the managerial level was inclined to see their usefulness, the operational level in PES offices regarded them as rivals. Moreover, the evaluation found a certain distortion of competition in the fact that the PES co-operated intensively with the non-profit (and tripartite) START temporary work agencies for problem groups (granting them for example direct access to their data base) but not with other commercial agencies.
6. Co-operation with municipal social services improved but this aspect of the reform was not entirely successful. The evaluation found a somewhat confusing variety of forms which "reduce rather than improve the transparency of placement services". The limited success in achieving greater co-operation with municipal labour market intermediaries was also due to differences in approach to placement: Whereas the PES usually had a vacancy-oriented approach, the municipal placement services had a client-centered approach focusing on the needs of their own target group, recipients of social assistance (Dercksen and de Koning 1996:30).

The evaluation commission as well as the Dutch cabinet conclude that the government and not the social partners had to take the lead for active labour market policy. Critics suggest that the evaluation commission took a too centralist, top-down view in evaluating the role of the social partners, neglecting alternative solutions. It focused on problems in the operation of

<sup>60</sup> One such conflict was over a ruling by the Chamber of Auditors that the Minister had not only to supervise the lawfulness of expenditures but also their efficient use. The social partners protested this ruling as incompatible with the tripartite administrative structure (OECD 1996).

the central board and paid little attention to the favorable results at the regional level.<sup>61</sup>

### *Reform of the reform*

In the aftermath of the 1994 evaluation, the Dutch cabinet endorsed a number of changes in the PES. In addition to a greater concentration of PES services on the hard-to-place unemployed, a number of organizational changes were also approved, which came into effect in January 1997. Despite the evaluation report's criticism of the functioning of tripartism in the PES, it was retained as a basic principle of PES governance. There are, however, a number of changes in the way tripartism is implemented. Most importantly decisions in the future will not be based on qualified majority voting but a simple majority will suffice, i.e. the group veto was eliminated. Moreover, the board members will in the future be expected to hold office in the public interest and not as interest group representatives; an even stronger proposal in the evaluation report to limit social partners' right of nomination to persons not on the payroll of these organizations was not implemented. The government itself will no longer be directly represented in the central labour market board (CBA) but will nominate independent representatives of the public interest.

There are, moreover, a number of changes that apparently greatly reduce the independence of the PES and its regional offices in contrast to the previous structure: The supervisory role of the Ministry of Social Affairs regarding policies and financing was strengthened including increased oversight over the efficiency of PES operations by the responsible minister, who may now issue directives to the PES. Furthermore the PES central board is now required to confer on policies twice each year with the minister of social affairs. Finally, the PES's budget is subject to the annual appropriations process.

A principal issue during the adoption of the new employment service law was the target group orientation of the PES. Whereas the government (Ministry of Social Affairs) wanted it to focus on the hard-to-place, the social partners rejected this proposal. They feared that that PES offices would become a dumping ground for social problem groups and even threatened to withdraw from the tripartite institutions if such a policy were adopted. The social partners, like the PES itself, generally endorsed the slip stream theory, according to which the PES can only assist problem groups to find regular employment if they have a good reputation with employers and a strong position in the labour market. The final compromise categorizes the unemployed according to the amount of training and work experience needed to place them, ranging from category one workers, who should be able to find a job on their own, to category four workers who have no chance of finding employment. The PES is to target its own resources on intermediate groups, i.e. neither the easy to place nor those who cannot be realistically placed but on those among the long-term unemployed, women, foreigners, and the partially disabled for whom placement is possible in combination with active measures.

The recommendation of the Dutch evaluation commission meant a return to a more centralized implementation structure in which government plays the dominant role. The networks of the social partners, which played a vital role during the reform period, have now greatly reduced their activity at the local level. As an alternative, Sol and Glebbeek propose, for example, a `bottom-up` approach, incorporating government, the social partners, and their networks in horizontal cooperation at the local level ('onderhandelend bestuur'; negotiated policy); this approach would strengthen the regional policy level, leaving the central level with

<sup>61</sup> In contrast to its principal conclusions, the Commission itself acknowledged the good regional results when communicating to the press: "...most of the Regional Boards developed a pragmatic and effective policy style. While decentralization resulted in better targeting of labour market policies to regional situations, it has, however, made it more difficult to implement a national policy in all regions" (Persbericht van de Evaluatiecommissie-van Dijk 9 maart 1995).

a supportive function.<sup>62</sup>

In other organizational changes, PES job center's, industrial insurance boards, and municipal social services are to be required to integrate their services to the unemployed youth and the long-term unemployed, although an institutional merger of these separate organizations is not planned, the number of employment service regions is to be reduced, more transparent budgeting and more market orientation in the provision of labour market services.

### **3.3 Collective agreements and active policies**

The Dutch social partners have played an active role in labour market policy through national framework agreements between the national organizations of the social partners and the government, which constitutes a recommendation to the social partners at the sectoral and enterprise levels. For example, the landmark 1986 framework agreement provides for wage subsidies for the long-term unemployed, the concentration of youth job creation programmes on those with low skill and other labour market handicaps, and for the establishment of sectoral and enterprise level training funds based on collective agreement (Chronik 25, July 1986). Prior to this time the focus of collectively bargained labour market policies had been on working time reductions since a similar agreement in 1983, which also included provisions for the reintegration of labour market problem groups.

As a result of such agreements non-governmental actors play an important role in labour market policy. It has been estimated, for example, that collectively agreed special funds for education and training (O&O funds) have expenditures of around 300 million Dutch Guilders, usually financed by a levy on employers' gross wage bill. The largest of these funds is found in the metal and electronics industry in which the levy is set at .55 per cent of the annual wage bill; of this amount 0.25 per cent is earmarked for the apprenticeship system, 0.2 per cent for continuing training, and 0.1 per cent for employment schemes. In 1989 54 collective agreements (CAOs) contained provisions on such training funds.

## **The United Kingdom**

### **4.**

#### **4.1 Introduction**

The market-oriented philosophy of the Conservative government that came to power in 1979 marked the end of mildly corporatist approaches to policy-coordination based on ideas of social partnership which had been pursued by previous Labour and Conservative governments. The style of the Thatcher government was confrontational and the influence of the unions in industrial relations and political system was regarded as a major obstacle to the government's radical programme of liberal reform.

In the following period the trade union movement has suffered a considerable loss of influence due both to the hostility of the government (manifest in several industrial relations acts designed to weaken the institutional position of unions) and even more to the dramatic decline and restructuring of British industry, which had a particularly strong impact on sectors in which trade union strength was concentrated (e.g. mining and manufacturing). Whereas in 1980 there was at least one recognized union in 2/3 of workplaces, this was the case in only 1/2 of work places in 1990 (Edwards et al. 1992).

Both employers' organization and especially trade unions are more fragmented and

<sup>62</sup> E. Sol en A. Glebbeek e.a., Arbeidsvoorziening en Onderhandelend bestuur. De positie van derden-belanghebbenden in een tripartite structuur. Amsterdam: AUP, 1998 (forthcoming).

decentralized in the United Kingdom, where collective bargaining typically takes place at the company level, trade unions are traditionally organized along occupational rather than industry boundaries, and union jurisdictions overlap. Moreover, the traditional style in industrial relations has been conflict-oriented rather than co-operative with high levels of industrial conflict in comparison with Northern European 'social partnership' countries such as Austria, Germany, the Netherlands, Sweden.

The principal national representative of British employers is the Confederation of British Industries (CBI) representing the views of employers in commerce and industry. Its members includes more than 250,000 public and private enterprises, more than 200 trade associations and employer organizations. The National Federation of Small Business (FSB) represents 64,000 enterprises with ca. 528,000 employees in small and medium size businesses.

The Trade Union Congress (TUC) is the principal national trade union confederation with ca. 6.5 million members comprising ca. 80 per cent of all trade union members. The TUC, which has only indirect influence on collective bargaining conducted by its constituent unions, is represented in national consultative bodies. It should be mentioned parenthetically that the British labour movement has historically had a close relationship to policy-making in Labour governments through its special relationship to the Labour party.

#### **4.2 Tripartism in the public employment service**

The British delivery system for active labour market policy was radically transformed in the late 1980s. The previous tripartite labour market authority (MSC) with comprehensive responsibility for most active labour market programmes was abolished and the major functional activities of labour market policy reorganized. Responsibility for the implementation of active programmes is now fragmented in specialized agencies with their own separate implementation structures. The Employment Service (ES), which is responsible for placement services and the administration of unemployment benefits (payment offices), was reorganized as is a public "executive agency"<sup>63</sup> within the the Employment Department (since 1995 the Department of Employment and Education). Responsibility for local implementation of training and most other active programmes was delegated to the private sector Training and Enterprise Councils (TECs), which are employer-led rather than bipartite or tripartite.

#### *The rise and fall of tripartism: Manpower Services Commission 1973 - 1988*

The establishment of the MSC in 1973 integrated training and placement services in an independent, tripartite labour market authority with its own budget, personnel administration and subordinate regional and local organizations. Although responsible for most active programmes, the MSC was by design strictly separated from the administration and financing of unemployment benefits. Local authorities remained responsible for counseling and placement of school leavers ("Careers Service") and wage subsidy programmes remained the direct responsibility of the Employment Department. The unemployment benefit offices, which had already been separated from placement services in 1971, were a separate organization within ED with sole responsibility for administering benefits and controlling availability for work.<sup>64</sup>

<sup>63</sup>In the British administrative reforms an executive agency has more managerial autonomy than a government ministry, although its employees remain public servants. In other related organizational changes Skill Centers (the old MSC's own training organizations) and the professional placement service (Fachvermittlung) were privatized.

<sup>64</sup>In 1982 even the obligation of the unemployed to register with the placement service was eliminated. See Reissert 1984:5-13 for an overview of the previous organization of labour market policy in the United Kingdom.

The MSC represented an effort at neo-corporatist integration of trade unions and employers in public policy-making in the context of a new commitment to active labour market policy (in a period of initially relatively tight labour markets). In addition to securing the co-operation of the social partners at the industry and firm level, the tripartite structure was expected to mobilize greater political support for active policies ("lobbying function"; Reissert 1984).

The MSC's tripartite governing body included three trade union and three employer's representatives, two representatives of local authorities, one member from the vocational training sector, and a chairman chosen by the government. Although formally independent of the government in its day-to-day operations, the MSC was clearly subordinate to government policy: Its chairman was chosen by the government, and its proposals had to be approved by the responsible minister. Moreover, its budget was controlled through the MSC's dependence on annual grants in the government budget. The MSC may have been capable of exercising influence, but it was never independent (Evans 1992:16-17). This relatively centralized organization also had tripartite Area Manpower Boards, which were supposed to provide a mechanism for co-ordination at the operative regional level, but they had only advisory status.

The MSC was abolished after the withdrawal of trade union representation in connection with the controversy over the introduction of the Employment Training programme for the adult unemployed.<sup>65</sup> The chronology of events was as follows: First the employment service (placement) was removed from the MSC (1987/88), which then became the "Training Commission." After the Trade Union Congress voted to withdraw representation from the Training Commission and boycott the new Employment Training programme, the MSC's training organization was initially transformed into a government agency within the Employment Department (ED) and subsequently the decentralized and employer-led TEC delivery system was introduced in 1989/90.<sup>66</sup>

The trade unions objected in particular to the government's plans to pay participants only a small supplement to their unemployment benefit instead of the rate for the job, fearing that the scheme would become compulsory "workfare."<sup>67</sup> This controversy might not have led to such a dramatic result if the unions and the Labour Party had not been at loggerheads with the Thatcher government on a broad range of issues (Evans 92: 90f).<sup>68</sup> The breakdown of the MSC suggests that tripartite administrations are more constrained than traditional bureaucratic administrations by the need to secure a broad consensus for their policies.

In retrospect it is not the abolition of the MSC but its survival and even expansion during the 1980s under the Thatcher government that is noteworthy.<sup>69</sup> Despite internal union criticism, the TUC essentially acquiesced in the Thatcher governments reorientation of the MSC toward "a crisis management organization, mainly concerned in the short run with palliatives against unemployment." (Evans 1992: 53). The government valued the continuing involvement of the TUC through the MSC as a form of legitimation for its own ideological project.

According to Evans (1992: 54ff) deliberations within the MSC were largely consensual

<sup>65</sup> Actually its transitory successor, the Training Commission as the MSC was called after the hiving off of placement services to the independent Employment Service.

<sup>66</sup> It is noteworthy that the government terminated the right of unions to be consulted on training programmes at unionized workplaces in February 1989 (King 1993: 227)

<sup>67</sup>The TUC's criticisms were: 1) Training is underfunded; 2) the trainees do not receive a proper allowance; 3) insufficient provision for trade union monitoring; 4) inadequate guarantees against compulsion onto the scheme; 5) and against jobs substitution. See excerpts from "TUC Guidance on Employment Training," quoted in King 1993: 230.

<sup>68</sup> Despite the initial concerns of British trade unions and other critics, participation in the ET programme has in principle remained voluntary (unlike the Youth Training Scheme), although increasingly restrictive controls on the eligibility of the adult unemployed for benefits have been introduced.

<sup>69</sup> See King 1993 and Evans 1992 for surveys of these developments.



and there were only three major disagreements: 1) changes in the YTS youth training scheme; 2) the issue of eligibility for the Community (job creation) programme ; 3) the removal of the employment service from the MSC's jurisdiction. On YTS union representatives pushed in particular for control of training quality and against making the scheme compulsory for youth receiving supplementary benefit. Without assurance of training quality, they saw YTS as merely providing cheap labour for employers and an employment policy quick fix for government. On both issues trade union representatives were, in their own view, successful in influencing training policy in the mid-1980s (Evans 1992: 72ff.).

### **4.3 The employer-led Training and Enterprise Councils (TECs)**

The establishment of the TEC-system began in 1989 after the publication of the Governments White Paper "Employment for the 1990s." According to the "White Paper" the TECs were founded on five major principles:

- C employer-led
- C locally based
- C focus for all training and enterprise matters in their local area
- C enterprising organizations
- C performance based

After a developmental phase, the first TECs became operational in April 1990 and all 82 TECs were operational by October of 1991. TECs are in law private companies which manage labour market training and related programmes in 82 local areas of England and Wales on a contract basis. A somewhat different system of "Local Enterprise Councils" (LECs) exists in Scotland.<sup>70</sup>

The TECs are headed by a board of directors, two-thirds of which must be chief executives or top operating officers of local enterprises. TEC directors serve without pay and as individuals rather than as representatives of their organizations. There is no similar requirement of representation for trade unions, local authorities or public and non-profit training providers, although these actors are in practice represented on many TEC boards. The manufacturing sector and mid-size to large firms with over 200 employees are heavily over represented among private sector directors on TEC boards (Vaughan 1993; Bennett and McCoshan 93: 188).

The TECs carry out the planning, management, and control tasks in the delivery of training and enterprise programmes that were previously the responsibility of the old MSC Training Division (subsequently Training Agency) Area Offices. In essence these management functions have now been contracted out to private organizations. The TECs are, however, not simply private entities but a new variant of an older British tradition of quangos (quasi-autonomous non-governmental organizations).

Although their status as private companies and the involvement of employers in their management gives them a great deal more independence than the subordinate administrative offices that they replaced, their freedom of action remains in practice highly constrained by contractual restrictions on the allocation of their resources in TEC operating agreements with the Dept. of Employment and Education, accounting practices imposed on the expenditure of

<sup>70</sup> As is frequently the case, somewhat different arrangements exist in Scotland. Scottish Enterprise is the Government's lead agency in the Scottish lowlands; Highlands and Islands Enterprise has similar responsibilities in north and western Scotland. Their responsibilities are implemented by a network of 22 Local Enterprise Companies (LECs) in Scotland. The functions delegated to the LECs are somewhat broader than those of the TECs. In contrast to the English and Welsh TECs, the LECs are more active in local economic development including in particular infrastructure (Wicks, Bennett, McCoshan 1992). Ministerial responsibility for the 7 Welsh TECs was transferred from the ED/TEED to the Welsh Office in April of 1992.

public funds, and by their de facto status as dependent suppliers of training-management services to a dominant single purchaser (DEE). Recent changes have given the TECs somewhat greater independence: Since 1994 voluntary mergers of local TECs and chambers of commerce are possible (which has occurred in 9 cases); this development can be expected to give the merged TECs greater leverage vis-à-vis the DfEE. Beginning in 1995 TECs reaching specified performance standards are eligible for 3 year (previously one year) operating agreements, which in the future is supposed to become the norm for all TECs.

*The impact of governance by employers on active programmes*

**Employers' involvement:** Although employers have a majority of seats on TEC boards their influence on policies is limited by contract requirements and performance targets in the organization of active programmes within the ministry. Moreover, it is not clear how much TEC boards actually influence even local policies. Although TEC boards meet relatively infrequently - typically once a month (Vaughan 1993), evidence from case studies suggests that the TEC boards are most active in representing the TEC to the public and the business community than in policy making and that they function as a sounding board in ratifying policies developed by the chief executive and other senior staff (Crowley-Bainton 1993; Mosley and Degen 1994).

Participation by employers on TEC boards or in another capacity (e.g. in sectoral groups) is voluntary and unpaid. The principal motives appear to be those of public service in the field of local economic development and training, an area closely related to the concerns of the local business community.

**Effects on training orientation:** It was initially feared that devolution of responsibility to the employer-led TECs would entail a shift in public training away from the reintegration of problem groups toward serving the skill needs of the private business sector (Meager 1991). Although the TECs are - given the interests of their employer-led boards and their broad mandate - inclined to invest more resources in training for the employed or readily employable and meeting skill shortages rather than in problem groups, this has not taken place because eligibility criteria for training are defined by the ministry and not by the TECs (Mosley and Degen 1994). The extraordinary focus of labour market policy in the United Kingdom on problem groups, particularly youth and the long-term unemployed (> 6 months), is of long standing and has been unaffected by recent changes in the British labour administration.

**Responsiveness of training to local labour market needs:** An assumption of the TEC reforms was that the previous more centralized system failed to identify and respond to the diverse needs of local labour markets, and that local business leaders are best at steering training programmes toward these goals. Circumstantial evidence after several years of experience casts doubt on this assumption. At least in the case of adult training, the central targeting of training on problem groups has to a large extent effectively prevented the employer-led TECs from orienting adult training toward skill shortages. While many TECs might prefer, for example, to run smaller programme with higher quality training within existing budgets, they do not have the freedom of action to do so (Mosley and Degen 1994).

Finally, it is not self-evident that the 12-16 local business executives on TEC boards know best about training needs for the unemployed. Interviews with TEC officials managing adult training suggest that employers on TEC boards show little knowledge of or interest in day-to-day TEC decisions about the allocation of training resources. Such decisions appear to be made by the professional staff in a way not very different from in the past (Mosley and Degen 1994).

**Efficiency:** A principal assumption of the TEC reforms was that that business people in a private sector environment will be more efficient in providing training services. This expectation is based not only on attitudinal differences but also on increased personnel and financial flexibility as a result of the shift of training management from the public to the private sector, for example, the possibility carrying over operating surpluses to subsequent years.

This hoped-for effect of the TEC reforms on training is difficult to assess both because of the lack of hard evidence with which to compare training costs and results over time as well as the ambiguity of "efficiency" in training programmes. The ambiguity of efficiency measured in terms of trends in costs per training week, qualification or placement is that these indicators do not measure training quality and fail to reflect selection bias. The introduction of the TEC system in 1990/91 coincided with cutbacks in funding for adult training and a shake out of training providers, who came under increasing cost pressure. Moreover, there are now no fixed prices for training services and prices reflect regional cost levels more than in the past. There is a widespread impression that increased administrative flexibility and new budgetary incentives have brought cost savings, whereas in the previous system there was little incentive to save (Mosley and Degen 1994).<sup>71</sup>

### **III. Statistical appendix: Corporatism and active labour market policy: Empirical evidence from OECD data**

(Stefan Speckesser)

#### **1. Introduction**

The analysis is based on data collected by the OECD, especially the OECD labour market policy expenditure data bank. The OECD data make possible a cross-national comparison between different institutional regimes with a sample that is large enough for statistical analysis. The OECD data are derived from national data sources and adjusted insofar as possible to international standards. As in all cross national comparisons, there are problems of comparability. In particular institutional differences may lead to misleading information: For example, in some countries vocational training centered in the education system may not be reported as labour market policy expenditure, while in other countries vocational training may be reported in labour market policy expenditure.

The following section (2.) presents a descriptive analysis of industrial relations indicators for corporatism and patterns of labour market policy expenditure. Thereafter a multivariate analysis examines the impact of the social partners and corporatism on the level and composition of labour market policy (3.).

#### **2. Descriptive analysis of industrial relations systems and active labour market policy**

In most industrialized countries, the system of industrial relations plays an important role for economic and labour market performance (cf. Janoski 1997). The actors in industrial relations, "the social partners", constitute a "web of rules" (OECD 1994: 167), providing procedures for conflict management. We hypothesize too that the characteristics of the

<sup>71</sup>Many TECs accumulated substantial surpluses.

industrial relations system and the integration of social partners in the policy process have an impact on the level and composition of active measures. Before discussing the impact of corporatism on public labour market policy, we survey the major trends in union membership, centralization of industrial relations and their importance for the employment system.

## **2.1 Patterns of industrial relations**

### *Union density*

Table 1 shows data on unionization and collective agreement coverage for 20 OECD countries for the years 1980, 1990 and 1994. We find large differences in the level of unionization, especially for the Scandinavian social-democratic welfare states with Sweden at the top (91 per cent), followed by Finland, Denmark and Norway for the early 1990s (col. 3) and some conservative welfare state regimes at the bottom (Spain and France). The importance of unions as societal actors varies among the conservative welfare states: In Germany and Austria, unionization is relatively high whereas only 9 per cent of all employees are union members in France. We also find no clear pattern of unionization for neo-liberal regimes: Unions in the United States have a relatively low share with 16 per cent, whereas in New Zealand and Britain unionization is still high. In almost all countries, with the exception of the Scandinavian welfare states and Spain, union density has declined over the last 15 years. The reasons for this trend can be found in structural change (e.g. the decline in classical unionized industries such as steel and coal), on the one hand, and in the process of redifferentiation in qualifications and the new role of women in the labour market, on the other hand (cf. O'Reilly, Spee 1997).

### *Collective bargaining coverage*

In all countries the percentage of employees covered by collective agreements is greater than the union density because unions also play a broader role for standard setting in employment relationships. Coverage ranges from 98 per cent in Austria, with comparable higher rates in France, Germany, and Scandinavian countries, to 18 per cent in the United States. The regulation of employment relationship through coverage by collective agreements has been relatively stable over the past 15 years except in New Zealand and the United Kingdom, where a marked decline occurred. These figures should be interpreted with caution because too little qualitative information about coverage is available. Even if a high percentage of employment contracts are collectively regulated by the social partners, we do not know to what extent collective agreements actually set standards: At least in some countries, collective agreements have become more flexible (Büchtemann 1993), even though coverage rates remain high (e.g. France, Germany, Austria, cf. 1).

### *Centralization*

In liberal welfare states, the degree of centralization was historically low and did not change over the past 15 years. In other countries experiencing a "radical regime shift" like the United Kingdom and New Zealand, the degree of centralization changed: Most collective bargaining now takes place at the plant and firm level. The conservative welfare states remained relatively stable over time with a centralization index of 2 (see table 1). In Sweden, Denmark and Finland the degree of centralization decreased but is still relatively high. If we interpret these data as an indicator for the role of the social partners, they suggest that unions have become less important over time.

Unfortunately no cross-national data on employer's associations are available. We can only use an indicator for co-ordination from Calmfors and Driffill (1988), which attempts to measure the institutional congruency of employers' associations and unions. Highly coordinated wage-bargaining structures are found in the Scandinavian welfare state regimes but also in Japan (see table 2).

### *Social peace and consensus*

Social peace is an important indicator for co-operative behavior by the social partners. Coordinated economies have in general fewer labour conflicts and days lost due to strikes as they are equipped with several institutional arrangements that inhibit open conflicts and facilitate consensus. Therefore we use labour conflicts as an indicator for the degree of coordination in national employment systems. Table 3 shows the development of labour conflict across the countries of our sample. In general, strikes have declined in all countries except Austria since 1990. There are, nevertheless, still marked differences in the cross-national frequency of industrial conflict.

### *Synthetic analysis*

The boxplots (figures 1- 2) show different levels of unionization and coverage according to different welfare state regime types as defined by Esping-Andersen (1990): We find the highest average value for union density in social democratic welfare states, followed by the conservative and the liberal regimes. In terms of coverage of collective bargaining, there is hardly any difference between social democratic and conservative regimes. The outcomes of collective bargaining on wage policies can be seen in the third plot: Wage differentiation is high in liberal, moderate in conservative and relatively low in social democratic regimes. "Egalitarian" wage policies can be regarded as an indicator for relatively coordinated behavior of the social partners in general, which is assumed to have an influence on labour market policy (table 3).

## **2.2 Trends in labour market policy**

### *Total expenditure*

In 1985 total expenditure for LMP ranged from 5.0 per cent of GDP in Denmark to 0.5 per cent in Switzerland and active expenditure from 3.9 per cent in Denmark to 0.3 per cent in Switzerland. Average expenditure is higher in 1994; Denmark still has the highest expenditure level, followed by Finland, Sweden and the Netherlands. Expenditure for active measures ranges from 5.2 per cent of the GDP in Denmark to 0.3 per cent in Japan.

### *Activity rates*

The activity rate of labour market policy expenditure has also changed over the last 10 years. Although Sweden still has the highest activity rate, the conservative governments of the continent increased their share for active measures, especially France and Italy are now among the most active regimes (figure 6).

If we examine more detailed expenditure data, we find that training measures are increasingly important. Especially in liberal and conservative employment regimes, training shares are close to or above 50 per cent of all expenditure. The social democratic regimes, which traditionally focus their labour market programmes more towards subsidized employment, still have a relatively low share for training measures, especially Sweden and the

Netherlands. In the Netherlands, we see significantly lower expenditure figures for the 1990s (figure 7).

### *Cyclical patterns in activity rates*

The activity rate is also assumed to depend on the business cycle insofar as active measures are designed for temporary adjustment of excess labour supply. Since OECD data are available only for the last 10 years, it is not yet possible to draw a complete picture of the activity rates. For the years of the crisis 1993 - 1995, we see a significant decrease in activity rates, but this might be caused by the rising level of unemployment. At the end of the crisis, both liberal and social democratic welfare states increased their activity rates, whereas the conservative welfare state regimes show a slightly declining trend (figure 8).

## **2.3 The social partners and labour market policy**

### *PES tripartism and labour market policy expenditure*

Figures 9-11 distinguish between employment service regimes according to whether or not there is a quasi-independent tripartite labour market authority administered jointly by government representatives, employers' associations and trade unions. Our hypothesis that there is a significant variation between these two groups of countries in active expenditure can be verified for the years 1985 and 1990, where significantly higher expenditure exists for countries with tripartism. In 1994, however, there is no longer an obvious difference between the tripartite systems and other countries.

### *Corporatism and wage replacement rates*

We find practically no difference between the tripartite and non-tripartite countries with regard to short term wage replacement rates for the unemployed in the late 1980s (figures 12). For long-term wage replacement rates, we find higher values for men in countries where the social partners participate in tripartite labour administrations (figure 13).

### *Corporatism, coordinated economies and LMP expenditure*

Correlation coefficients between indicators of corporatism and labour market policy show significant statistical relationships between Calmfor's index and total expenditure for labour market policy but only in 1994 (table 5). Union density also has a statistically significant influence on total expenditure in 1994. Correlation coefficients for activity rates and benefit duration are never significant. We can interpret these findings as providing evidence for an impact of the social partners in coordinated employment regimes on total expenditure for labour market policy but not on activity rates.

## **3. Multivariate analysis**

The influence of the social partners on level and design of labour market policy expenditure is examined in different multiple linear regression models (see table 6-1). Our models test the influence of social partners within an institutional model that also takes into account the level of unemployment and the political system. Two different indicators for the role of the social partners are used: union density and conflict/ consensus orientation.

a) Union density can be regarded as an indicator for the importance of unions: The higher the share of the labour force organised in unions in the employment system, the more

representation and legitimacy they have as a societal actor and therefore more influence on welfare state arrangements for dependent employees. Examples of possible unions goals with respect to active and passive measures are high wage replacement rates in case of unemployment, high pensions and early retirement schemes as well as a well functioning system of continuous training. The level of unionisation therefore is expected to be positively related to expenditure for labour market policy. Unionization (U) is defined as:

$$U = UM / DE \quad (1)$$

where

UM is the total number of union members;

DE total dependent employment.

b) The indicator for conflict orientation in our case is the days lost due to working conflicts per 1000 employees. We assume that not only the level of unionisation is essential for social partnership, but also the degree of social peace and the capacity to co-operate with employers. Consensus is necessary to create stable governance structures which influence in the long-run the welfare system and expenditure. Consensus (C) is defined as:

$$C = DL / DE \quad (2)$$

where

DL is the total of days lost due to working-conflicts;

DE total dependent employment.

c) We expect policy formation on active and passive measures to depend on political constellations in party power. We include the political system in our model by using a measure for the "ideological center of gravity". We expect that left parties will be more responsive to labour market issues and, therefore, that increased support for left parties will be manifest in higher expenditure for labour market policy. The ideological center of gravity in a political system is calculated by multiplying the share of votes times an ideological rank score, which has the value of 1 for ultra-left and 5 for ultra-right parties (cf. Cusack 1992: 16).<sup>72</sup> The political center of gravity (CGR) is defined as:

$$CGR = S \times \pi_i \quad (3)$$

where

$\pi_i$  measures the vote share of the party;

and  $\pi_i$  measures the individual ideological rank score (1 for extremely left parties, 5 for ultra right parties).

Since a predominance of left parties results in a lower value of the indicator, a negative estimator can be interpreted as evidence for a positive influence of left party strength on labour market policy expenditure.

d) Finally, we include the national unemployment rates in our model as a control variable for the influence of the national labour market conditions on the level and composition of expenditure. The unemployment rate (UER) is defined as follows:

$$UER = AL / TLF \quad (4)$$

where

AL is total number of unemployed;

<sup>72</sup> The authors want to thank Thomas R. Cusack for kindly providing us the data.

TLF the total labour force (standardised values).

The dependent variables in our models are expenditure rates for passive and active labour market policy as percentage of the GDP (with the subgroups training and subsidised employment for active policies) as well as the overall "activity rate of labour market policy" indicating the share of active measures on all expenditure.

The models are tested for two periods: 1985 to 1990 and 1991 to 1994. Cyclical and extraordinary peaks in the data set are smoothed by taking an average of the unionization and conflict indicators for the last five years (t-4 to t). The unemployment rate is lagged one year (t-1) because we assume that unemployment will influence LMP at a later point in time. The variable indicating the ideological center of gravity is also a five year average (to t-4). The dependent variables are for the years 1990 and 1994 respectively, separating our analysis into two periods. With these assumptions, we follow Janoski's model of state intervention in ALMP (Janoski 1996: 697 ff.).

$$\text{EXPalm} = a_1 U + a_2 C + a_3 \text{CGR} + a_4 \text{UER} + e \quad (5)$$

The analysis is based on the data collected by the OECD, enabling on the one hand a cross-national comparison between nationally different institutional regimes, on the other hand a sample that is large enough for statistical analysis. The OECD data refer to national data sources, that are adjusted according to international standards as far as it is possible.

#### *Regression estimates 1985-1990*

Table 6-1 shows the results of the regression analysis for the period 1985 to 1990. A significant influence of the measures of social partnership on the level of labour market policy expenditure can be seen in four of the five models, above all in the case of total and passive expenditure. whereas the other variables have ambiguous effects on the dependent variables.

#### *Total ALMP expenditure*

We see a statistically significant positive influence of union density on total LMP expenditure as hypothesized; moreover, conflict orientation, i.e. the absence of social partnership as measured by strike rates, is negatively related to total expenditure as hypothesized. Surprisingly, the variable for the ideological center of gravity shows the expected sign but is not statistically significant: There is no evidence for a positive relation between the strength of left parties in elections and total expenditure for LMP. The unemployment rate finally shows the highest influence on the expenditure level. The overall explanatory power of the model is acceptable: F has a value of 10.2, adjusted R<sup>2</sup> (ratio explained to total variation) has value of .68.

#### *Passive measures*

The influence of Social Partnership on passive measure expenditure has also been examined. We see almost the same influence of the independent variables on the expenditure level for passive measures as in the model for total LMP expenditure. The influence of the social partners measured with union density is statistically significant and positive, whereas the strike indicator for consensus shows the expected negative influence of the level of expenditure for passive measures on GDP. Again, the statistical tests of the model indicate that the explanatory power of the model is good: almost 65 per cent of the variation is explained by the variables included.



### *Expenditure for subsidised employment and training*

The next two models examine the impact of our measures of social partnership on two disaggregated components of active policy: subsidized employment and training. The regression estimates show a weak but significant positive impact of union density on both types of active measures, but the strike indicator for social partnership is not significant. The sign of the estimator for union density shows the expected direction, i. e. higher union density is associated with higher levels of expenditure. Nevertheless, both models show little explanatory power and are not statistically significant (F-value of 1.6 and .09 and low values for adjusted  $R^2$ ).

### *Activity rate*

The overall activity of LMP (measured as ratio of active expenditure to all expenditure) cannot be explained by the variables in the model. The variables included are not significant, although their sign shows in the right direction with the exception of the conflict variable. The estimator of the unemployment rate has a negative sign, indicating that a higher unemployment rate leads to a lower activity rate.

### *Regression estimates 1990-1994*

Table 6-2 summarizes the results of the regression analysis for the period 1990 to 1994.

### *Total ALMP expenditure*

Concerning the influence of social partnership on total expenditure, the regression results are similar to those reported above for the 1990-1994: The indicators for both unionization and industrial conflict are significant with signs pointing in the expected direction. The unemployment rate again shows the greatest influence, and is even more important as a determinant of total labour market policy expenditure than in the previous period. The estimator for the political variable in this model shows the expected sign but is not statistically significant. With an  $R^2$  value of .75 and a high F-value, the results are statistically strongly significant.

### *Passive measures*

The dependent variable expenditure for passive measures is highly influenced by the same three independent variables in the model. The influence of union density is less than in the model for total expenditure in the same period, but still higher than on training and subsidised employment. As in the case of total expenditure, labour market conditions (unemployment rate) have the greatest impact on passive expenditure and the political variable (ideological center of gravity) shows the expected negative sign but is not statistically significant. The overall explanatory power of the model is good (adjusted  $R^2 = .67$ )

### *Expenditure for subsidized employment and training*

In contrast to the earlier period, the indicators for social partnership (union density and strike rates) show a weak but statistically significant influence on expenditure for training and subsidised employment in the 1990-94 period. Like in the previous models, the unemployment rate is the most influential explanatory variable, and the political variable (ideological center of gravity) is not significant.

*Activity rate*

As in the previous period, none of the variables in our model are significant and the overall explanatory power of the model is very low (adjusted  $R^2 = .07$ ).

*Conclusion*

The results of our analysis can be interpreted as providing robust evidence for a relationship between corporatism as measured by union density and strike rates on both total and passive expenditure for labour market policy as a percentage of GDP. If we interpret corporatism in this sense as a proxy for social partnership, we can conclude that labour market policy expenditure is influenced by social partners more through the general role of the social partners in the employment systems than through their institutionalised role in tripartite labour administrations (see figures 9- 11 in the Appendix below). On the other hand, the evidence for an impact of social partnership on active expenditure (here training and subsidized employment) is weak and inconsistent. Left party power is not statistically significant in any of the models examined. Finally, as expected, the unemployment rate is strongly and significantly positively related to both active and passive labour market expenditure in seven of the eight models examined. Neither social partnership nor any of the other variables included in the model are statistically significant when regressed on activity rates, i.e. the ratio of active to passive measures in labour market policy expenditure.

#### 4 Statistical Tables and Figures

<b>Table 1: Data on Unions in the OECD Countries</b>						
	Union Density			Collective Bargaining Coverage		
	1980	1990	1994	1980	1990	1994
Australia	48.0	41.0	35.0	88.0	80.0	80.0
Austria	56.0	46.0	42.0	98.0	98.0	98.0
Belgium	56.0	51.0	54.0	90.0	90.0	90.0
Canada	36.0	36.0	38.0	37.0	38.0	36.0
Denmark	76.0	71.0	76.0	69.0	69.0	69.0
Finland	70.0	72.0	81.0	95.0	95.0	95.0
France	18.0	10.0	9.0	85.0	92.0	95.0
Germany	36.0	33.0	29.0	91.0	90.0	92.0
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.	82.0
Italy	49.0	39.0	39.0	85.0	3.0	21.0
Japan	31.0	25.0	24.0	28.0	23.0	81.0
Natherlands	35.0	26.0	26.0	76.0	71.0	31.0
New Zeland	56.0	45.0	30.0	67.0	67.0	76.0
Norway	57.0	56.0	58.0	75.0	75.0	71.0
Portugal	61.0	32.0	32.0	70.0	75.0	78.0
Spain	9.0	13.0	19.0	76.0	76.0	89.0
Sweden	80.0	83.0	91.0	86.0	86.0	50.0
Switzerland	31.0	27.0	27.0	53.0	53.0	47.0
United Kingdom	50.0	39.0	34.0	70.0	47.0	18.0
United States	22.0	16.0	16.0	26.0	18.0	

Source: OECD Employment Outlook, 1997

<b>Table 2: Corporatism Indicators</b>			
	Corporatism Ranking	Adjusted Ranking	Index of Corporatism
Australia	10.0	17.0	6.0
Austria	1.0	1.0	1.0
Belgium	8.0	14.0	7.0
Canada	17.0	4.0	7.0
Denmark	4.0	2.0	4.0
Finland	5.0	8.0	6.0
France	11.0	16.0	9.0
Germany	6.0	9.0	2.0
Ireland	12.0	12.0	11.0
Italy	13.0	11.0	12.0
Japan	14.0	10.0	3.0
Netherlands	7.0	13.0	6.0
New Zealand	9.0	15.0	8.0
Norway	2.0	2.0	4.0
Spain	11.0	16.0	12.0
Sweden	3.0	3.0	4.0
Switzerland	15.0	6.0	3.0
United Kingdom	12.0	12.0	11.0
United States	16.0	5.0	7.0

Col.1: Ranking of degree of centralization of wage bargains as measured by Calmfors Driffill (1988)  
Col. 2: Calmfors and Driffill adjusted the original ranking on the basis that low degrees of decentralization in wage bargaining are better for economic performance than middle range levels Calmfors Driffill (1988)  
Col.: This index not only captures centralization but also the extent of consensus and the existence of formal arbitration procedures. This is due to Tarantelli (1986)  
Source: OECD Employment Outlook 1987

<b>Table 3: Wage Differentials</b>		
	Wage Differentials*	
	1980	1990
Australia	2.600	2.800
Austria	3.400	3.500
Belgium	2.500	2.300
Canada	4.000	4.400
Denmark		
Finland		
France	3.100	3.000
Germany	2.600	2.500
Ireland		
Italy		
Japan	4.300	4.600
Natherlands	2.000	2.300
New Zeland		
Norway	2.100	2.000
Portugal		2.600
Spain		
Sweden	2.000	2.100
Switzerland		
United Kingdom	3.000	3.900
United States	4.800	5.600

\*Ratio of first decile of earnings.  
Source: Janoski 1996: 799

<b>Table 4: Expenditure for Active and Passive Labour Market Policy in OECD Countries</b>						
	1985			1994		
	Active	Passive	Total	Active	Passive	Total
Australia	0.4	1.3	1.7	0.8	1.9	2.6
Austria	0.3	1.0	1.3	0.4	1.5	1.9
Belgium	1.3	3.4	4.6	1.4	2.9	4.3
Canada	0.6	1.9	2.5	0.6	1.6	2.2
Denmark	1.1	3.9	5.0	2.0	5.2	7.2
Finland	0.9	1.3	2.2	1.7	4.7	6.4
France	0.7	2.4	3.1	1.3	2.0	3.2
Germany	0.8	1.4	2.2	1.4	2.3	3.7
Ireland	1.5	3.7	5.2	1.6	3.1	4.7
Italy	0.5	1.0	1.5	0.9	1.0	2.0
Japan	0.2	0.4	0.6	0.1	0.3	0.4
Natherlands	1.1	3.0	4.2	1.4	3.3	4.6
New Zeland	0.8	0.7	1.4	0.8	1.6	2.4
Norway	0.7	0.5	1.2	1.3	1.3	2.7
Portugal	0.4	0.4	0.8	0.7	1.1	1.8
Spain	0.4	2.9	3.3	0.6	3.1	3.7
Sweden	2.1	0.8	2.9	3.0	2.8	5.7
Switzerland	0.2	0.3	0.5	0.4	1.4	1.9
United Kingdom	0.7	2.0	2.8	0.6	1.6	2.2
United States	0.3	0.6	0.8	0.2	0.4	0.6

Source: OECD Employment Outlook, several volumes.

<b>Table 5: Cross-Correlations all OECD Countries</b>				
	Calmfors Index	Corporation Index	Union Density	
			1990	1994
Activity Rate 90	.23 .15 .15	-.09 .19		
Activity Rate 94	.34 .15 .21	-.06 .18 .81		
Average Benefit Duration	.21 .14 .47	.41 .19 .08		
Total Expenditure 90	.37 .15 .17	-.05 .19 .84	.34 .19 .16	
Total Expenditure 94	.58 .15 *.02	-.20 .18 .42		.68 .19 *.001
*significant at 5% level or better				
Source: OECD Employment Outlook, several volumes, own calculations				

<b>Table 6-1: Regression Estimates for Level and Composition of ALMP Programme Expenditure † 1985- 1990</b>					
Independent Variables	Dependent		Variables		
	Expenditure LMP	Passive Measures	Subsidized Employment	Training	Activity Rate††
Union density	.0526*	.0360*	.0050*	.0036	-.0003
av. t-5, t	.0110	.0094	.0025	.0021	.0021
Conflict	-.0027*	-.0023*	-.0008	-.0007	.0001
av. t-5, t	.0012	.0010	.002	.002	.0002
Ideolog. Center of grav., t-10 t-5	1.160	1.1077	.1218	.02860	-.1341
Unemployment Rate t-1	.3546*	.2939*	.0232*	.0060	-.0234
Constant	-.0610	.0519	.0139	.0117	.0116
	-5.357	-4.926	-.5823	-.0659	.9216
	2.386	2.0306	.5432	.4575	.4530
R <sup>2</sup>	.7586	.72857	.3362	.21411	.33429
adj. R <sup>2</sup>	.68432	.64505	.1319	-.0277	.12945
F	10.213*	8.7234*	1.6457	.88542	1.6320
N	17	17	17	17	17



The table shows the coefficients and the standard errors (below) of the regression estimates.

† The dependent variable is expenditure for different LMP measures and total expenditure as per cent of GDP.

†† Activity Rate measures expenditure for ALMP as per cent of all Expenditure for LMP.

Source: OECD Employment Outlook, ILO Yearbook, OECD Labour Force Statistics, own calculations, several volumes

\* significant at 5 per cent level or better

**Table 6-2: Regression Estimates for Level and Composition of ALMP Programme Expenditure † 1990- 1994**

	Dependent		Variables		
	Expenditure LMP	Passive Meas.	Subsidized Employment	Training	Activity Rate††
Independent Variables					
Union density	.0396*	.0204*	.008*	.0051*	.1514
av. t-5, t	.0125	.0099	.002	.0018	.1391
Conflict	-.011*	-.0080*	-.0013*	-.0013*	.0116
av. t-5, t	.0035	.0027	.0005	.0004	.0391
Ideolog. Center	-.8534	-.4655	.0217	-.0384	-4.5621
of grav., t-10 t-5	.9344	.7413	.1518	.1341	10.3956
Unemployment	.3797*	.2967*	.0396*	.0363*	-.7807
Rate t-1	.0830	.0659	.0135	.0119	.9236
Constant	1.617	.6763	-.3973	-.0402	45.6725
	3.025	2.399	.4915	.4341	33.6508
R <sup>2</sup>	.8009	.7477	.7565	.6883	.18090
adj. R <sup>2</sup>	.7397	.6700	.6816	.5923	-.07114
F	13.077*	9.629*	10.098*	7.1752*	.71775
N	17	17	17	17	17

The table shows the coefficients and the standard errors (below) of the regression estimates.

† The dependent variable is expenditure for different LMP measures and total expenditure as per cent of GDP.

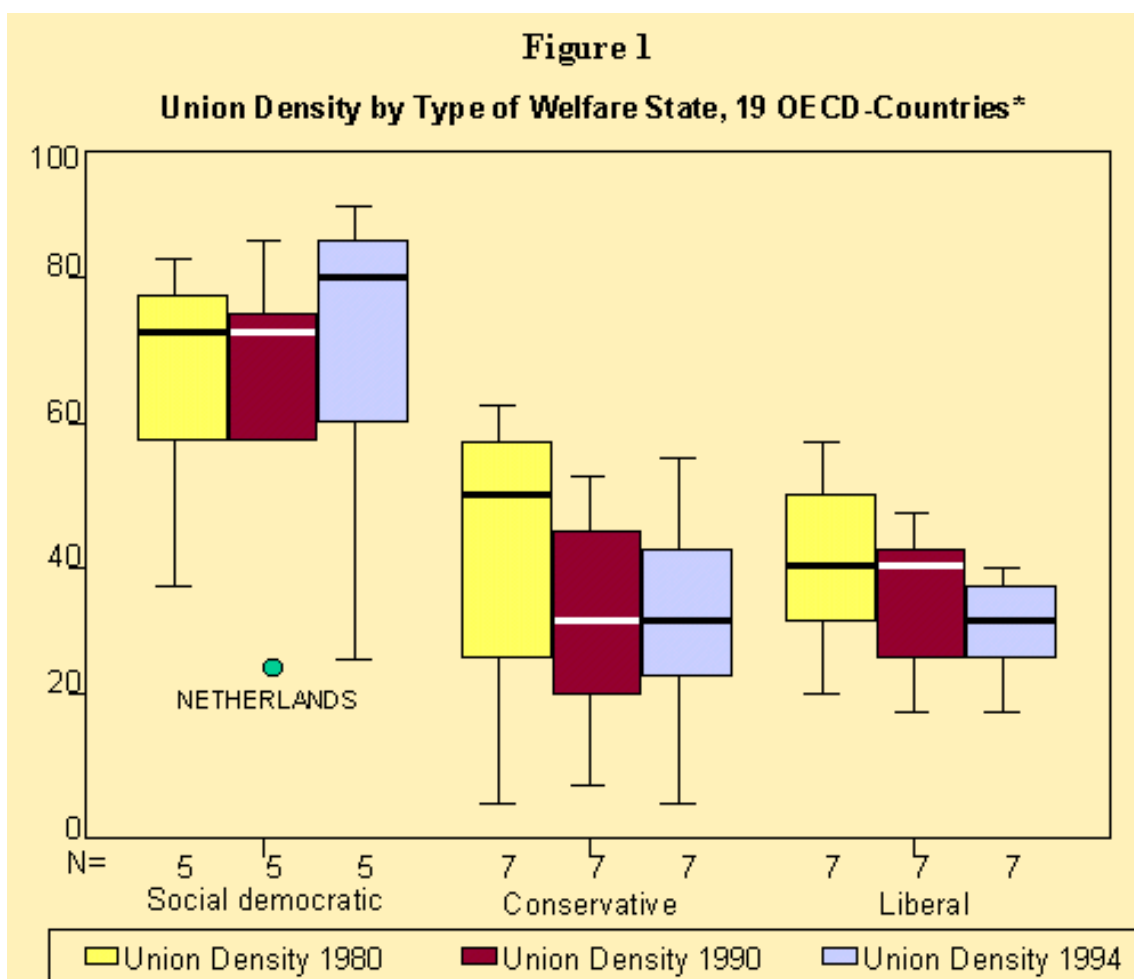
†† Activity Rate measures expenditure for ALMP as per cent of all Expenditure for LMP

Source: OECD Employment Outlook, ILO Yearbook, OECD Labour Force Statistics, own calculations, several volumes.

\* significant at 5 per cent level or better

**Table 7: Descriptive Statistics:**

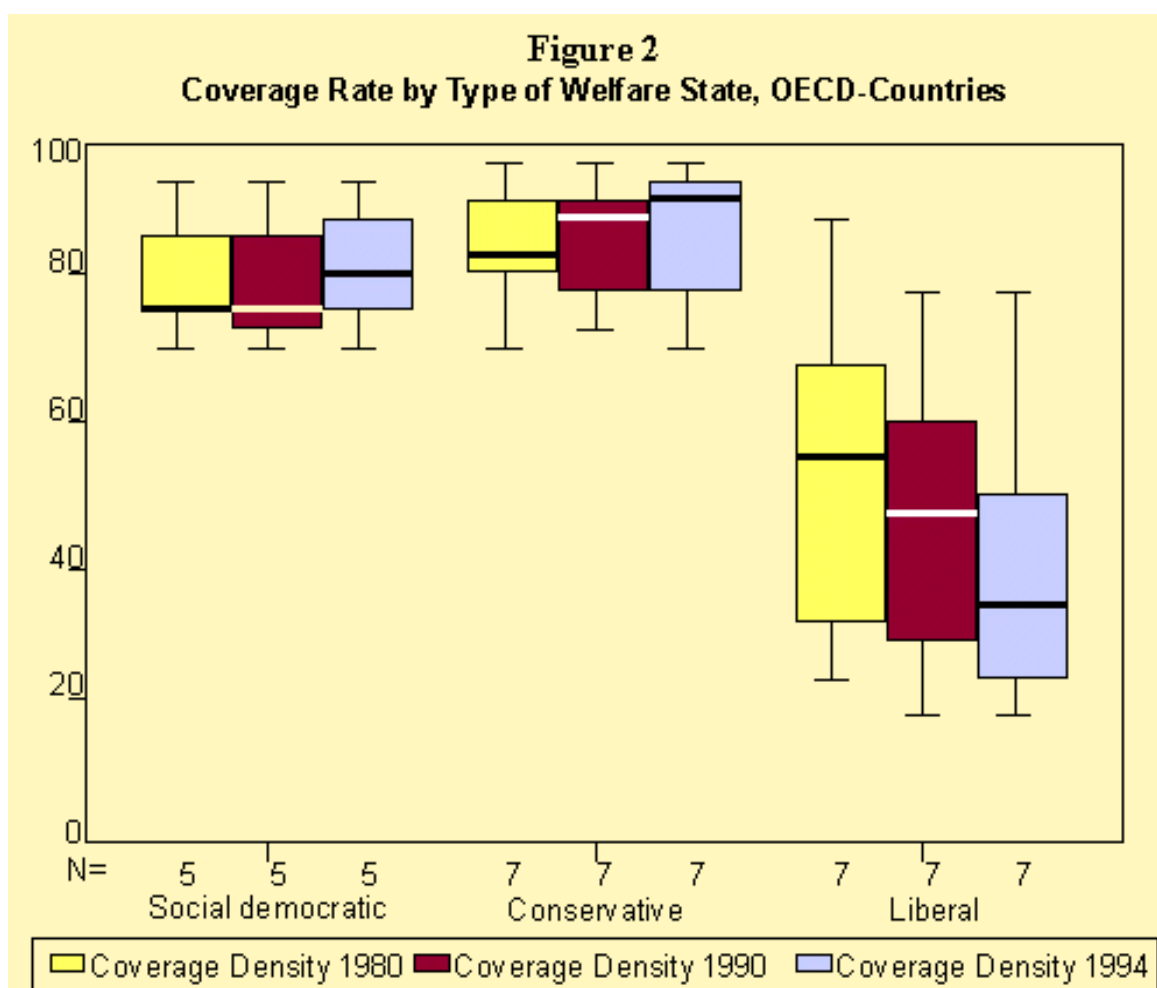
Valid						
Variable	Mean	Std Dev	Minimum	Maximum	N	Label
ACTGR90	.37	.14	.20	.66	20	Activity Rate of LMP, 90
ACTGR94	32.25	10.00	16.13	51.83	19	Activity Rate of LMP, 94
ALQ89	6.85	4.11	.5000	16.9000	20	1989 ALQ, OECD standard
ALQ93	9.64	4.82	2.5000	22.4000	20	1993 ALQ, OECD standard
CEGR8085	2.97	.34	2.2649	3.6933	19	Ideological center of gravity
CEGR8590	2.97	.31	2.4581	3.5905	19	Ideological center of gravity
EXP_T90	2.28	1.33	.39	5.64	20	Expenditure for total LMP,90
EXP_T94	3.20	1.82	.39	7.16	20	Expenditure for total LMP,94
EXPAM90	.78	.43	.13	1.69	20	Expenditure for ALMP, 90
EXPAM94	1.06	.69	.0900	2.9700	20	Expenditure for ALMP, 94
EXPPM90	1.49	1.05	.14	4.38	20	Expenditure Passive Measures, 90
EXPPM94	2.15	1.27	.3000	5.1500	20	Expenditure Passive Measures, 94
EXPSE90	.16	.17	.00	.58	20	Expend. subsidised employment, 90
EXPSE94	.27	.28	.0000	.8700	20	Expend. subsidised employment, 94
EXPT90	.21	.15	.02	.53	20	Expenditure for Training, 90
EXPT94	.27	.21	.0200	.7600	20	Expenditure for Training, 94
MEUD1	43.11	19.39	11.00	81.50	19	Av. Union Density 80-85
MEUD2	40.03	21.07	9.50	87.00	19	Av. Union Density 85- 90
MEWC1	170.79	182.59	.30	618.29	20	Av. Days lost work.conflict, 80-85
MEWC2	102.49	113.21	.34	429.55	20	Av. Days lost work.conflict, 85-90



\* Data on Ireland are not available

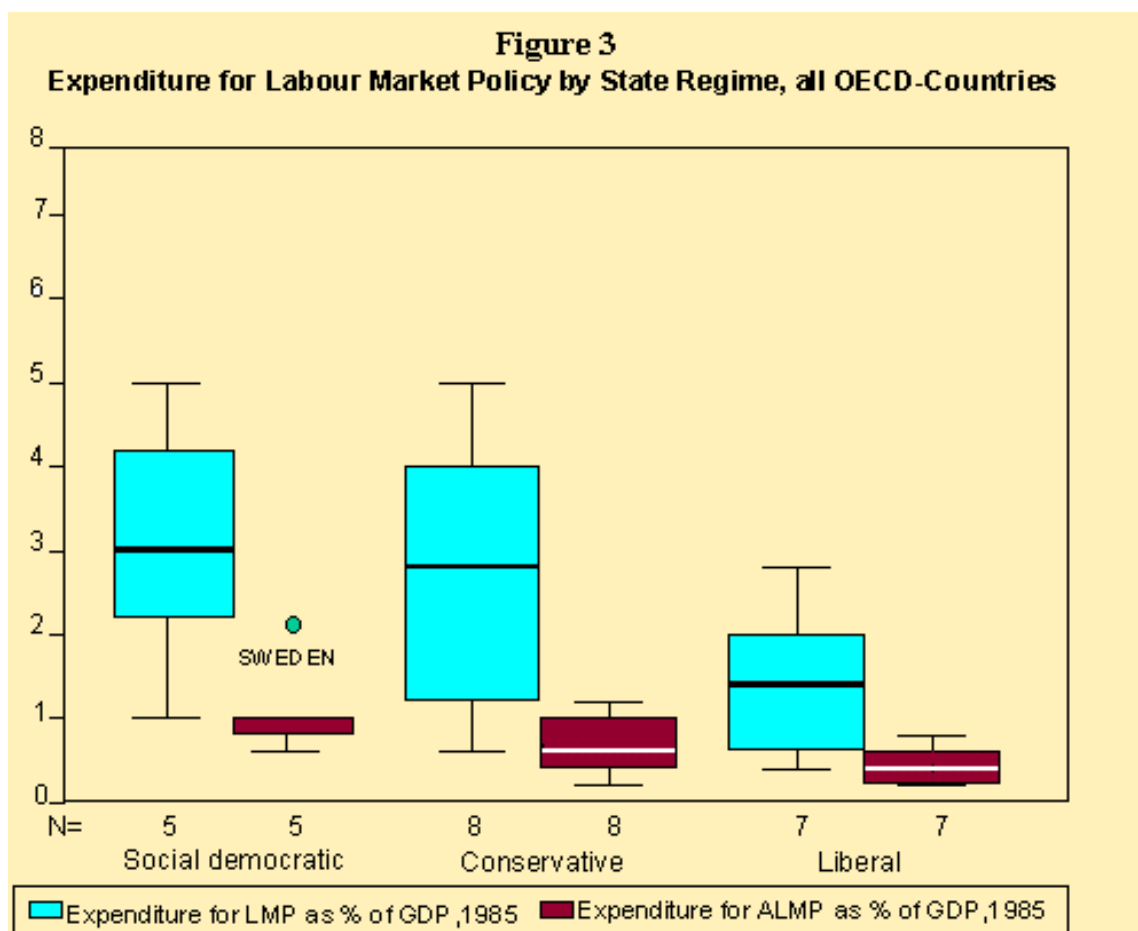
Note: Union density measures the proportion of employees organized in union as percentage of all employees. The data are structured by the type of welfare states according to Goesta Esping-Andersens typology (Esping-Andersen 1990). Social democratic welfare states: DK, FIN, NL, N and S; conservative welfare states: B, D, F, IRL, I, A, P and E; liberal welfare states: AUS, UK, J, CDN, NZ, CH, and USA. Data on union density not available for IRL. Source: OECD Employment Outlook 1997.

Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile ( $x_{0.25} - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ ), extreme values are marked individually.



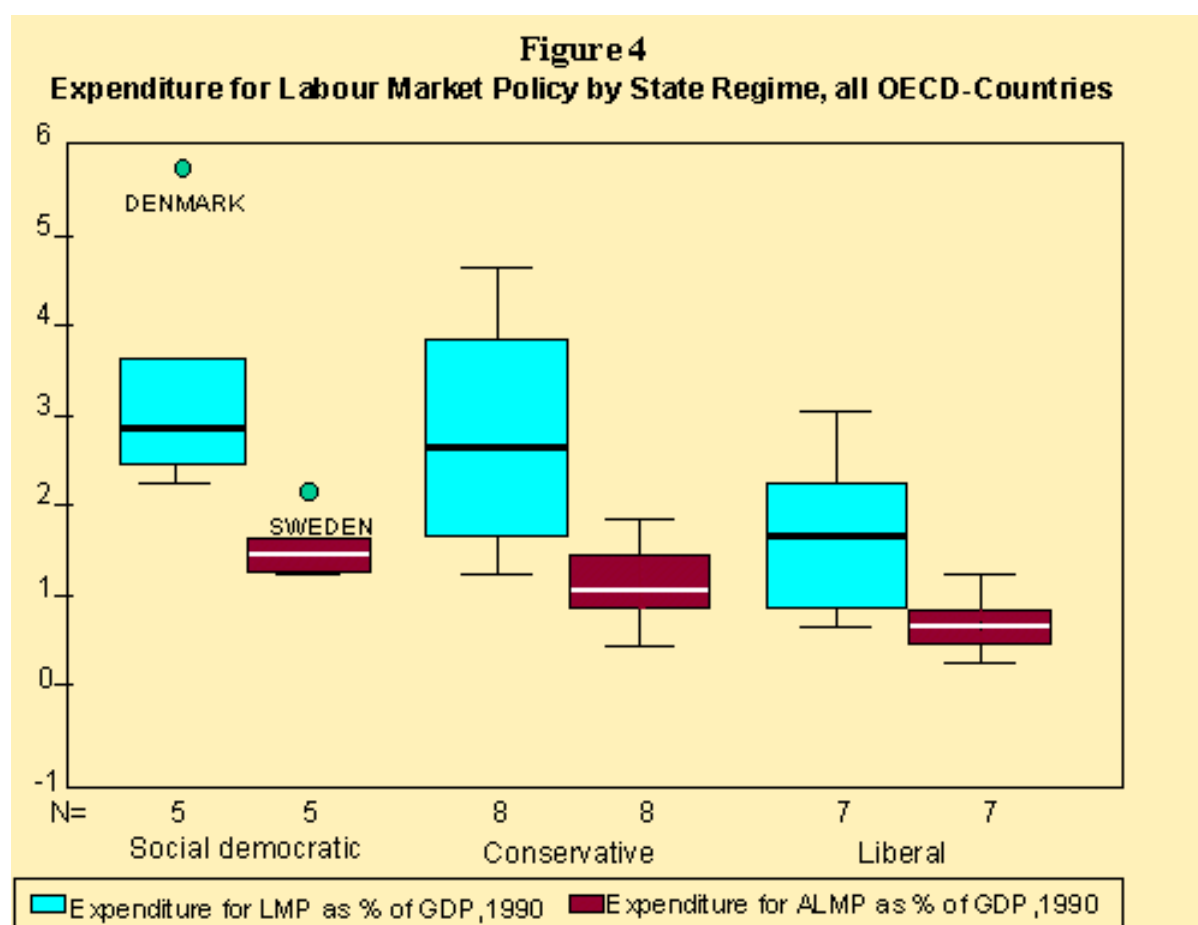
Note: Coverage Rates measure the employees covered by collective bargaining as proportion of all employees. The data are structured by the type of welfare states according to Goesta Esping-Andersens typology (Esping-Andersen 1990). Social democratic welfare states: DK, FIN, NL, N and S; conservative welfare states: B, D, F, IRL, I, A, P and E; liberal welfare states: AUS, UK, J, CDN, NZ, CH, and USA. Data on coverage rate not available for IRL. Source: OECD Employment Outlook 1997.

Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile ( $x_{0.25} - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ ), extreme values are marked individually.



Note: Expenditure for labour market is measured as percentage of GDP. Active measures includes measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The value for total expenditure can be seen in the first box. The data are structured by the type of welfare states according to Goesta Esping-Andersens typology (Esping-Andersen 1990). Social democratic welfare states: DK, FIN, NL, N and S; conservative welfare states: B, D, F, IRL, I, A, P and E; liberal welfare states: AUS, UK, J, CDN, NZ, CH, and USA. Data on union density not available for IRL. Source: OECD Employment Outlook 1997.

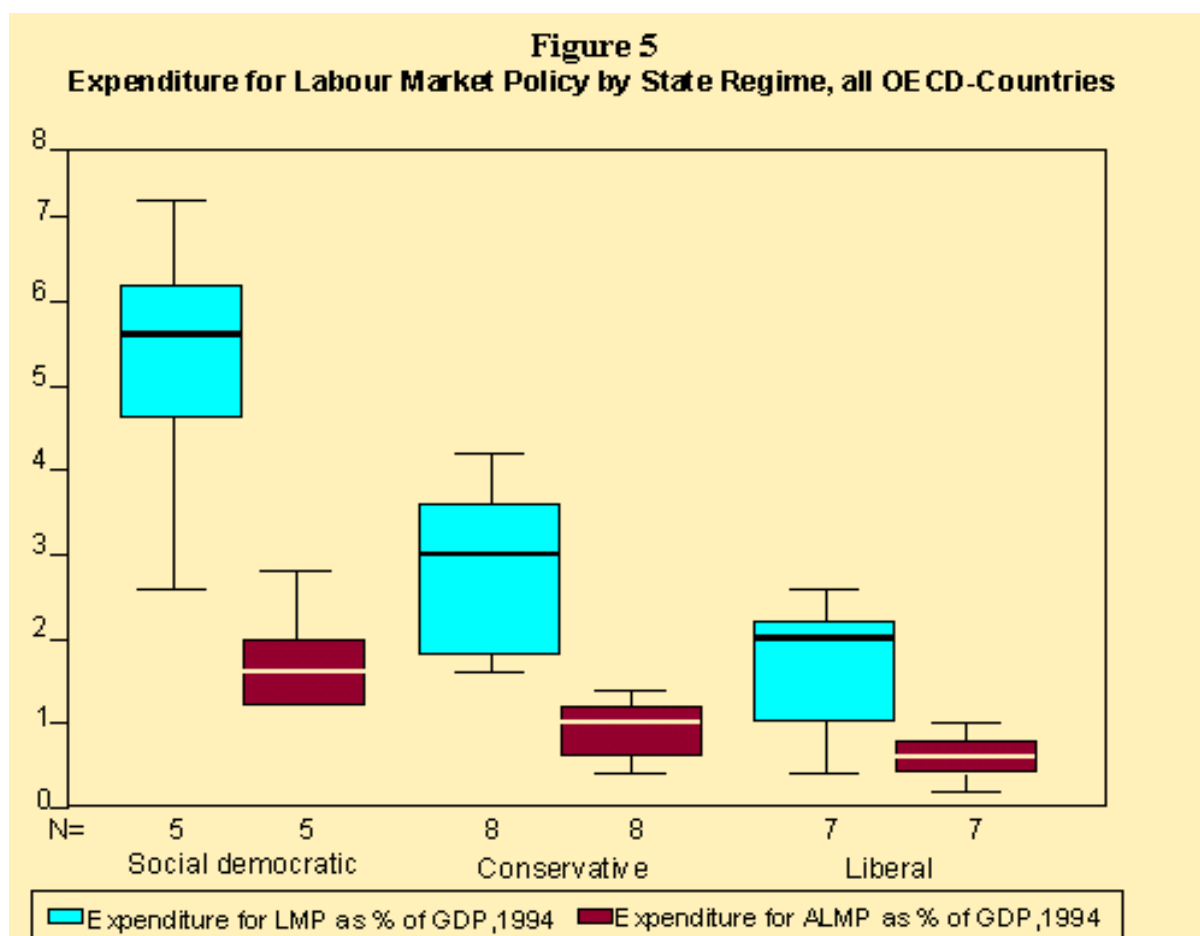
Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile ( $x_{0.25} - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ ), extreme values are marked individually.



Note: Expenditure for labour market is measured as percentage of GDP. Active measures includes measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The value for total expenditure can be seen in the first box. The data are structured by the type of welfare states according to Goesta Esping-Andersens typology (Esping-Andersen 1990). Social democratic welfare states: DK, FIN, NL, N and S; conservative welfare states: B, D, F, IRL, I, A, P and E; liberal welfare states: AUS, UK, J, CDN, NZ, CH, and USA. Data on union density not available for IRL. Source: OECD Employment Outlook 1997.

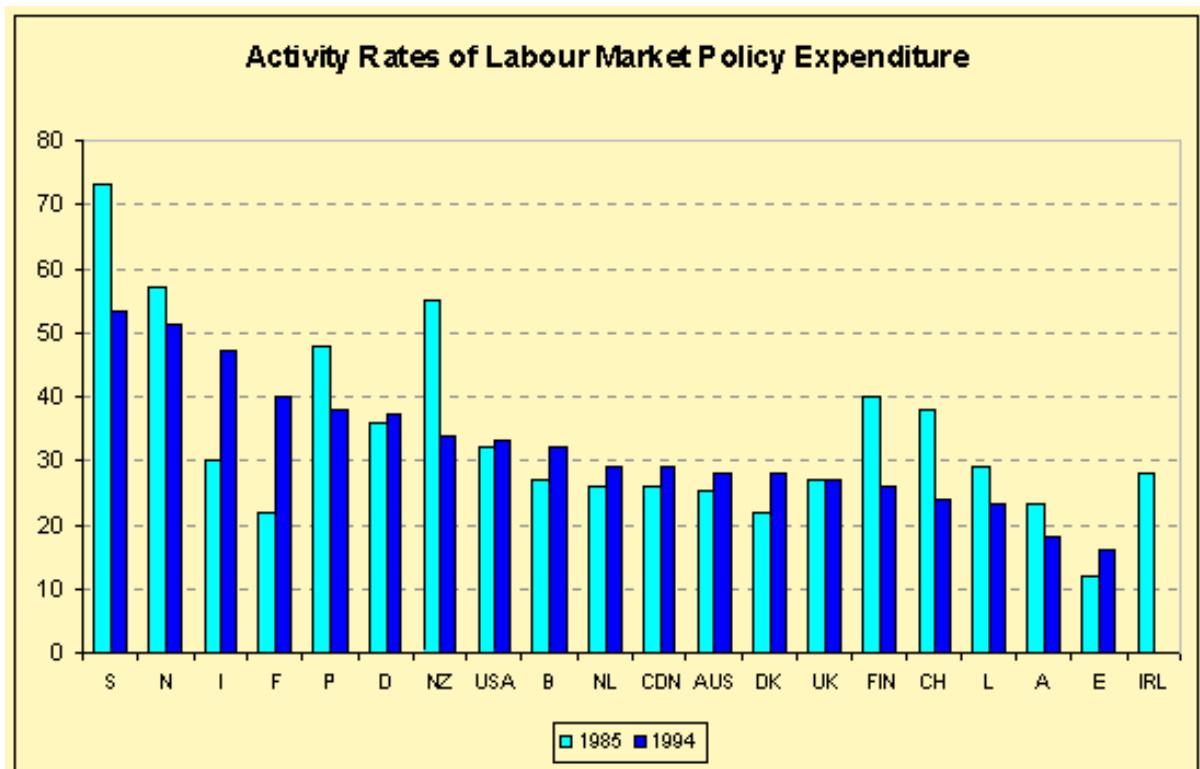
Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile ( $x_{0.25} - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ ), extreme values are marked individually.





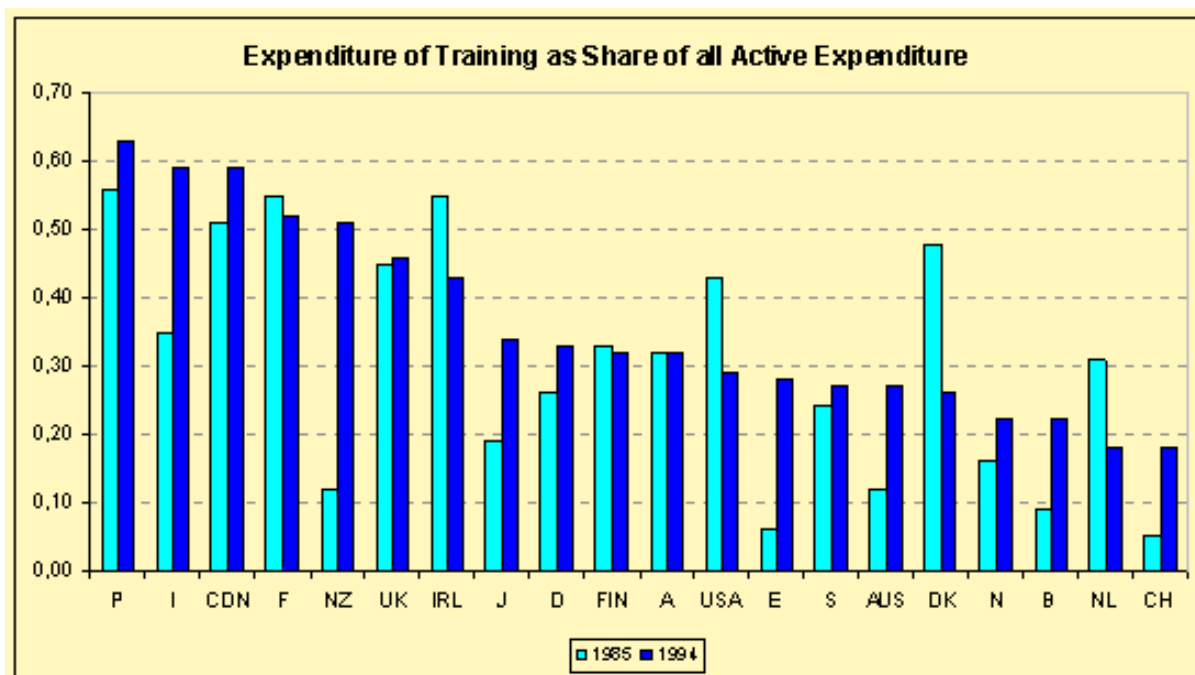
Note: Expenditure for labour market is measured as percentage of GDP. Active measures includes measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The value for total expenditure can be seen in the first box. The data are structured by the type of welfare states according to Goesta Esping-Andersens typology (Esping-Andersen 1990). Social democratic welfare states: DK, FIN, NL, N and S; conservative welfare states: B, D, F, IRL, I, A, P and E; liberal welfare states: AUS, UK, J, CDN, NZ, CH, and USA. Data on union density not available for IRL. Source: OECD Employment Outlook 1997.

Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile ( $x_{0.25} - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ ), extreme values are marked individually.



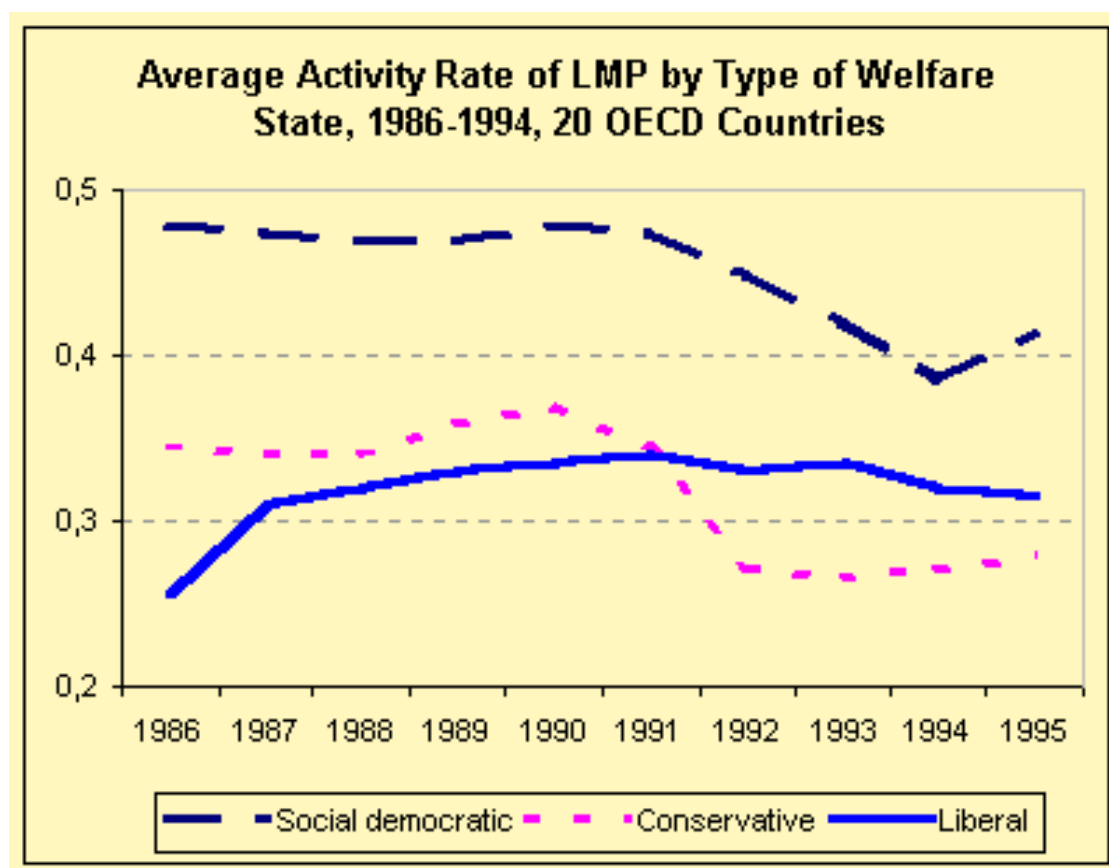
**Figure 6**

Note: The activity rate measures the share of active labour market policy expenditure as percentage of all expenditure for labour market policy. Active measures include measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The countries are ranked by 1994 values. Source: OECD Employment Outlook 1997.



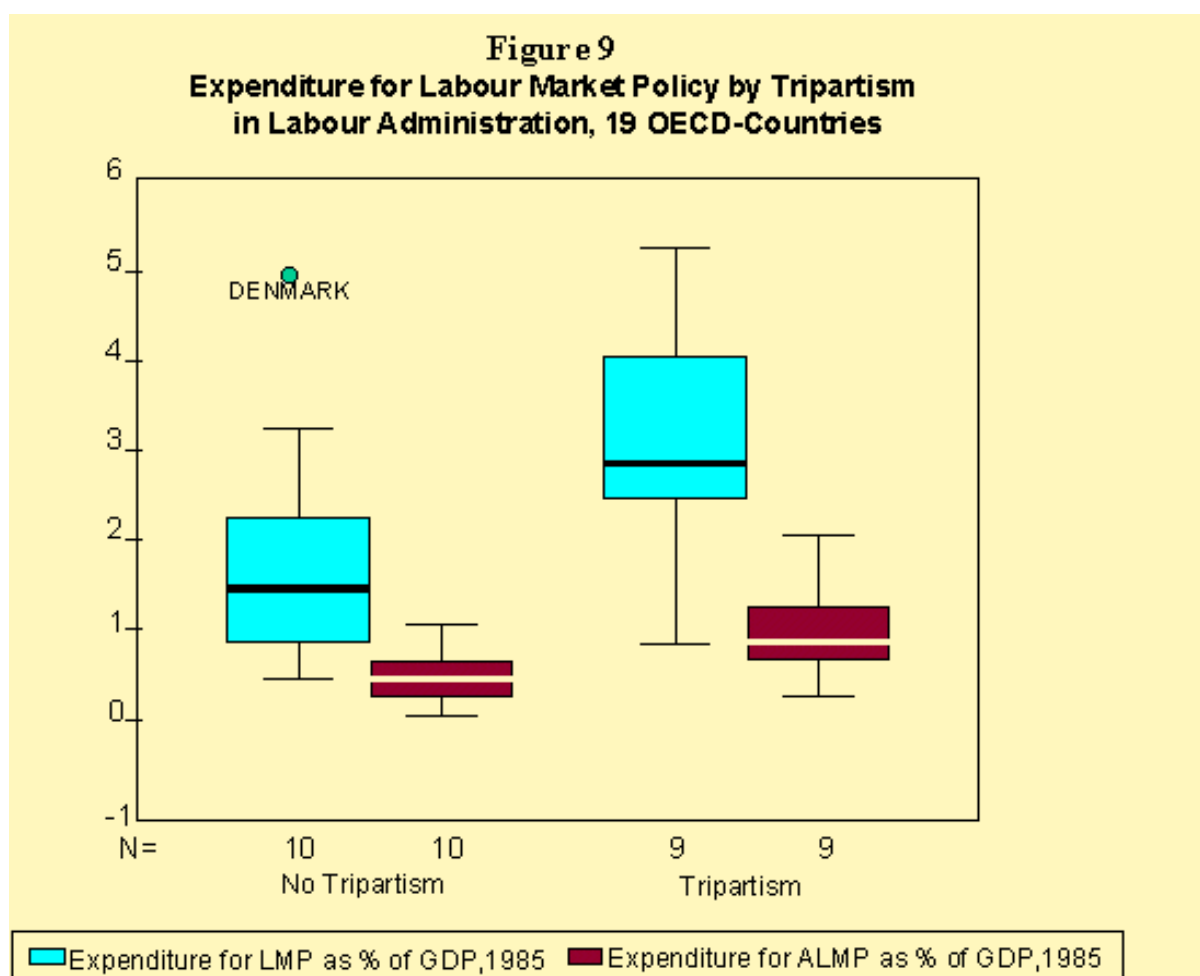
**Figure 7**

Note: The ratio of training expenditure as percentage of total expenditures for active labour market policy indicates the degree of supply orientation of national active labour market policies. Training measures include training for the unemployed as well as for employed.  
Source: OECD Employment Outlook 1997.



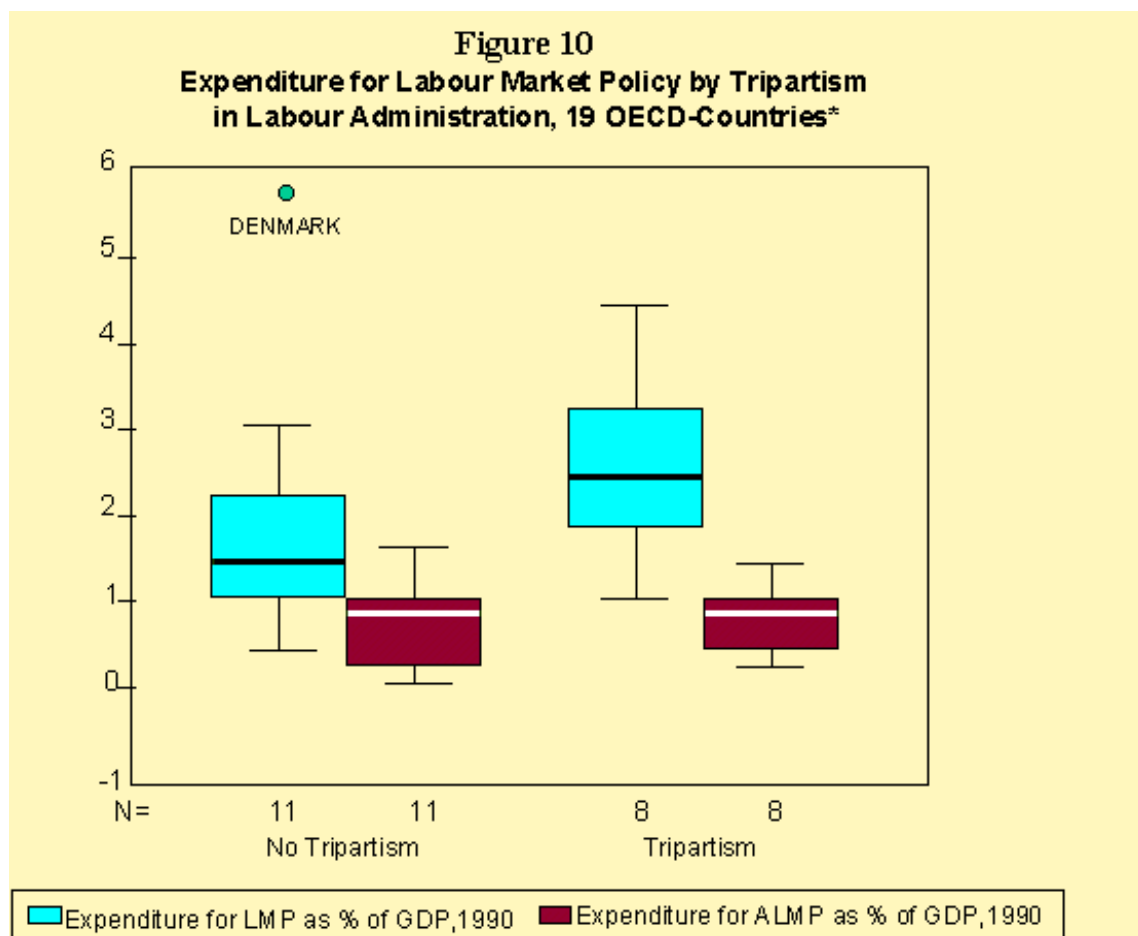
**Figure 8**

Note: The activity rate measures the share of active labour market policy expenditure as percentage of all expenditure for labour market policy. Active measures include measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The data are structured by the type of welfare states according to Goesta Esping-Andersens typology (Esping-Andersen 1990). Social democratic welfare states: DK, FIN, NL, N and S; conservative welfare states: B, D, F, IRL, I, A, P and E; liberal welfare states: AUS, UK, J, CDN, NZ, CH, and USA.  
Source: OECD Employment Outlook 1997.



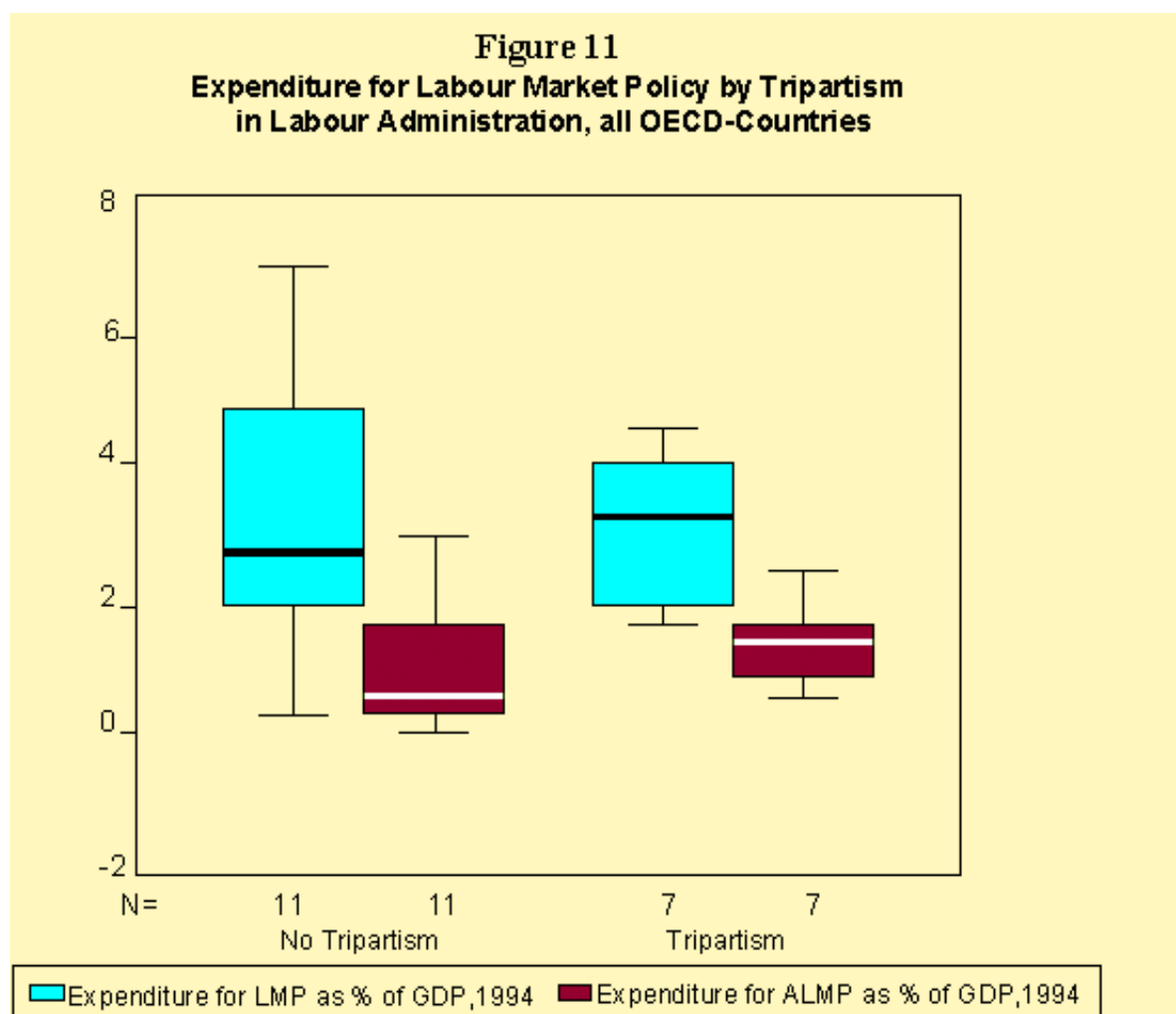
Note: Expenditure for labour market is measured as percentage of GDP. Active measures includes measures for the integration of youth and disabled, subsidised employment and further training , passive measures comprise wage replacement expenditure. The value for total expenditure can be seen in the first box, the second box shows the expenditure for active labour market policy. The data are structured by countries, in which institutional corporatism exists, i.e. tripartite boards of the labour administration , or where the social partners are not involved in the labour market administration. Source: OECD Employment Outlook, several volumes.

Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile  $(x_{0.25}) - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) + 1.5(x_{0.75} - x_{0.25})$ , extreme values are marked individually.



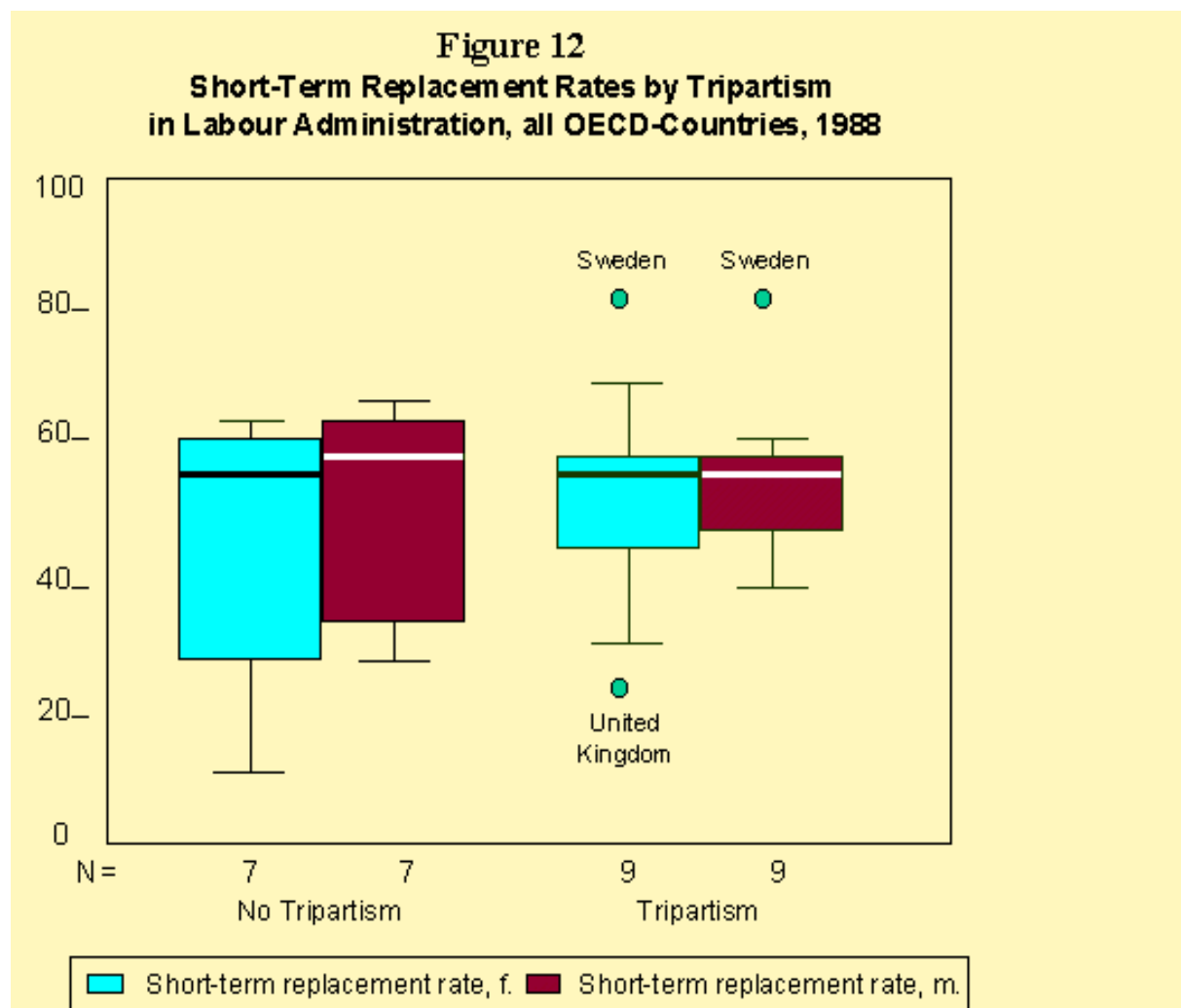
Note: Expenditure for labour market is measured as percentage of GDP. Active measures includes measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The value for total expenditure can be seen in the first box, the second box shows the expenditure for active labour market policy. The data are structured by countries, in which institutional corporatism exists, i.e. tripartite boards of the labour administration, or where the social partners are not involved in the labour market administration. Data on union density not available for IRL. Source: OECD Employment Outlook, several volumes, Mosley 1997.

Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile  $(x_{0.25}) - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ , extreme values are marked individually.



Note: Expenditure for labour market is measured as percentage of GDP. Active measures includes measures for the integration of youth and disabled, subsidised employment and further training, passive measures comprise wage replacement expenditure. The value for total expenditure can be seen in the first box, the second box shows the expenditure for active labour market policy. The data are structured by countries, in which institutional corporatism exists, i.e. tripartite boards of the labour administration, or where the social partners are not involved in the labour market administration. Data on union density not available for IRL. Source: OECD Employment Outlook, several volumes, Mosley 1997.

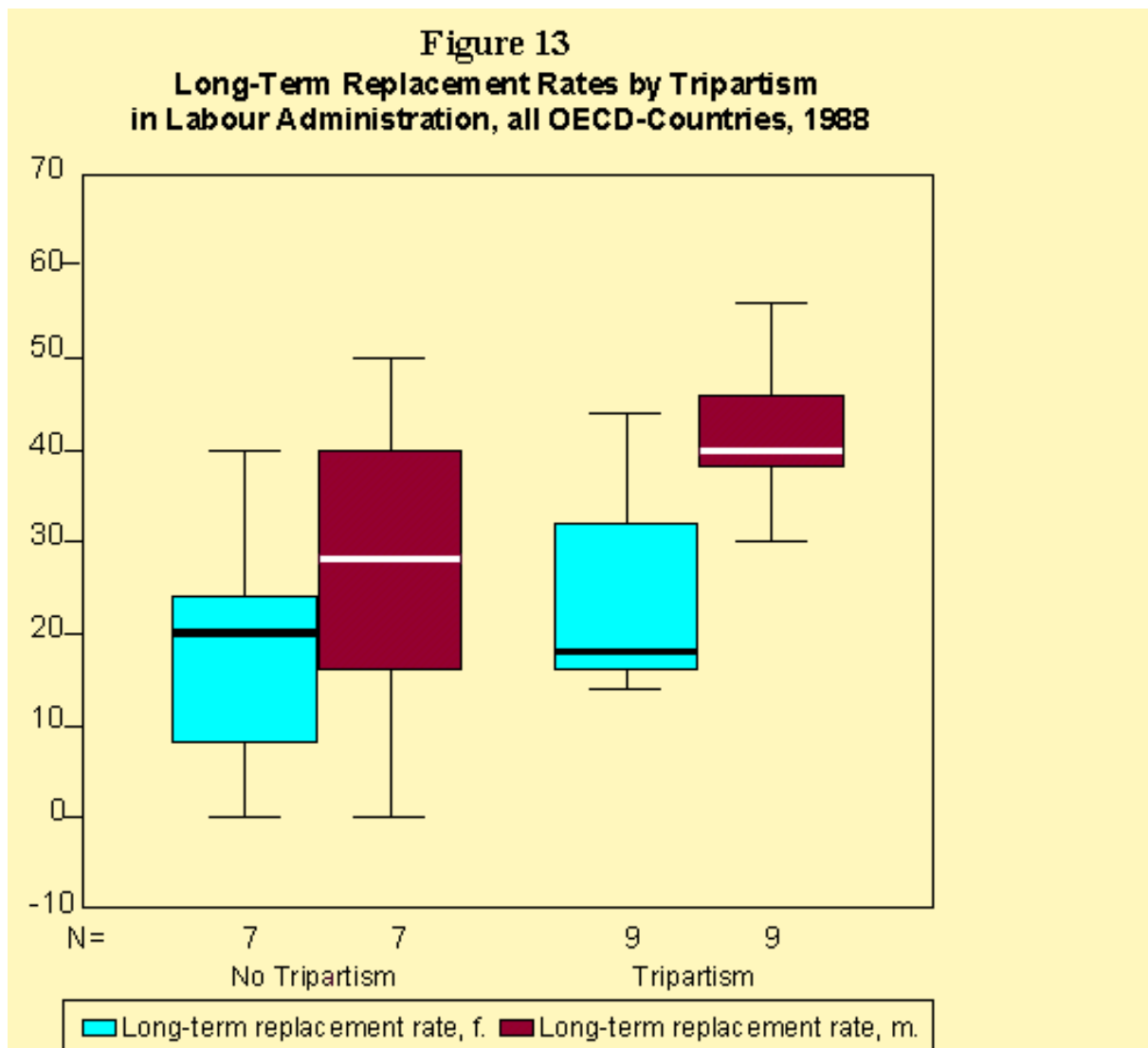
Methodological remarks: The boxplot shows the relevant characteristics of the data. The size of the box indicates the difference between the upper ( $x_{0.75}$ ) quartile and the lower ( $x_{0.25}$ ) quartile, so that 50% of the observed values are within the area of the box. The line within the box indicates the median of the sample. The horizontal lines above and below the box show the values that are 1.5 times more or less the difference between the lower and the upper quartile ( $x_{0.25} - 1.5(x_{0.75} - x_{0.25})$  and  $(x_{0.75}) - 1.5(x_{0.75} - x_{0.25})$ ), extreme values are marked individually.



Note: Wage replacement rates for unemployment with up to six months unemployment experience, average for all unemployed. The data are structured by countries, in which institutional corporatism exists, i.e. tripartite boards of the labour administration, or where the social partners are not involved in the labour market administration.

Source: OECD Employment Outlook, 1991: 234, Mosley 1997.





Note: Wage replacement rates for unemployment with more than six months unemployment experience, average for all unemployed. The data are structured by countries, in which institutional corporatism exists, i.e. tripartite boards of the labour administration, or where the social partners are not involved in the labour market administration.

Source: OECD Employment Outlook, 1991: 234, Mosley 1997.

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