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From centralised decentralisation towards multi-level regulation

Danish employment relations between continuity and change

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Introduction

The Danish system of organisations and collective bargaining has developed from being characterised by a strong form of *centralised regulation* from the 1930s to the end of the 1970s over a regulation form characterised by *centralised decentralisation* with a relatively high degree of top-down governance or steering in the 1980s and 1990s towards *multi-level regulation* without any given connection between the different levels at the threshold of the new century.

On the one hand, this development shows the continuity in the Danish organisation and bargaining system, but, on the other hand, it is also a reflection of recurrent major changes in the system. So far, it has been a matter of changes which could be seen as an expression of the ability of the parties involved to adapt to a changed pressure from the surrounding world, i.e. changes where the originally established bargaining system can still be seen in the new structures (cf. Dunlop, 1958; Clegg, 1976; and Sisson, 1987). It is an open question whether the development in the direction of multi-level regulation marks a more radical rupture with the established collective bargaining system or whether there will also here be a certain continuity.

Multi-level regulation reflects the complexity which characterises the present and future labour market *with* both individual agreements, collective agreements and legislation, *with* trends both in the direction of centralisation, decentralisation and internationalisation and *with* many different actors with different interests influenced by new norms and values.

Whereas both centralised regulation as well as centralised decentralisation are characterised by *hierarchical governance* with a strong top-down character, multi-level regulation is not necessary hierarchical. It may be a matter of bottom-up influence instead of top-down steering, i.e. a form of reversed hierarchy. But it may also be a matter of a shifting or failing connection between the different levels. It is a more horizontal ad-hoc form of governance either in the form of *market regulation* or *network governance*. Multi-level regulation is thus primarily characterised by the absence of any overall centre of control.

The aim of this article is both theoretical and empirical. We will discuss the above-mentioned concepts for regulation of employment relations; centralised regulation, centralised decentralisation and multi-level regulation.

In this connection, we will correlate our own concept "centralised decentralisation" (Due et. al. 1993, 1994) with related concepts used by other researchers. As examples we take Ferner & Hyman's "co-ordinated decentralisation" (1992, 1998) and Traxler's "organised decentralisation" (1995).

On the basis of an analysis of the historical development of the Danish collective bargaining system as a case, we will present the argument that our concepts are not mutually exclusive, but should rather be seen as complementing each other; this means that there are elements of both decentralisation and

centralisation in all phases of the history of the collective bargaining system and that a form of multi-level regulation can, at all times, be demonstrated.

We are thus trying to demonstrate the usefulness of these theoretical concepts in the empirical analysis. And by doing so, we will demonstrate the continuity which stems from the fact there was an element of centralised decentralisation already in the period of the establishment of the strongly centralised bargaining system in Denmark, and that there was, as a starting point, also a sort of multi-level regulation. But this does not mean that the history can in this way be seen as a period of uninterrupted continuity. Certain important changes can also be demonstrated, i.e. both strategic phases of institution-building and strategic phases of institution-*re*building (cf. Poole, 1984; Due et al. 1993). One could therefore talk about different phases which can be explained on the basis of the changes in the weight attached to respectively, centralisation, decentralisation and multi-level regulation, and how these forms of regulation are combined.

Centralisation-decentralisation

The key concept in our analyses of the development in the Danish bargaining model is *centralised decentralisation.* We use this concept to describe the main development in employers' shift in strategy, which in the 1980s led to a certain decentralisation of the strongly centralised collective bargaining system. But we also use it as an expression of the decentralised element which - with the minimal pay system in the iron industry - has been an element of the Danish bargaining system from its very beginning in the period around year1900 (Due et. al. 1993, 1994). This means that we do not see centralisation and decentralisation as trends in the bargaining system which are necessarily mutually exclusive. Instead of a dichotomic view on the two concepts centralisation-decentralisation we find that it would, in our opinion, be more appropriate for the purpose of an analytical instrument to look upon them as complementary concepts.

> "In complex, composite social systems (such as the Danish system of organisations and collective bargaining) and in combinations of such systems (such as the Danish national state, but also supranational systems, such as the EC) the structural development features will typically reveal an *alternating combination of centralising and decentralising elements*." (Due et al. 1994, p. 171, 1993, p. 320-21).

Centralisation/decentralisation may briefly be described as relocation of resources and/or decision-making competence among different levels in a given system. The unmasking of centralisation and decentralisation processes may often reveal significant features concerning the governance of the social system, which is being examined. And, for the same reason, an evaluation of such proc-

esses will probably remain an important element of many social analyses - irrespective of the social systems, which are the subject of the analysis.

This study mainly deals with national Industrial Relations (IR) systems and, more specifically, it analyses how the Danish IR-system has developed during shifting centralisation and decentralisation processes.

As a starting point, it should be clearly established that an IR-system is *per se* a multi-level system. The IR-system is composed of an *organisation system* with two opposite parties, workers and employers, and their organisations, and a *bargaining system* through which the two actors regulate their mutual relations. On top of this, there is a political regulation system within which the third actor, the political system, with or against the two other actors ensures the overall regulation and underpins (or obstructs) the bargaining system of the two labour market parties. Typically, the organisation system comprises at least three levels: a national level, a regional level and a local level. The bargaining system comprises at least two - and often three - main levels: a national level, a regional level and a local level.

Table 1	**Levels of the Danish IR-system**	**Main actors**
Political Level:	Political regulation	Parliament, Government
	Tripatite regulation	Political system and main organisations
	The public conciliation service	Public conciliators and representatives of main organisations and sector organisations
Central bargaining level	Generel agreements	Main organisations, cartels
	Multi-industry bargaining	Main organisations, cartels
	Single-industry bargaining	Cartels and sector organisations
	National company agreements*	Cartels and sector organisations
Local/regional bargaining level	Multi-industry bargaining	Local representatives of main organisations and cartels
	Single-industry bargaining	Local representatives of cartels and sector organisations
	Enterprise agreements	Local branches and shop stewards
	Workplace agreements	Shop stewards

**Agreements which covers multi-side companies, i.e. concerns or business groups.*

Each level in itself comprises several levels. The central organisation level in the Danish IR-system thus comprises three inter-connected levels. The first is the main organisation level, the second is the cartel level - in which, for instance, a number of trade unions are grouped for bargaining purposes - and the third is the sector organisation level comprising the national trade unions. Within the general central level there may thus be major processes in the direction of both centralisation and decentralisation. Similarly, the local organisation level is composed of the local bodies of the main organisations, the local branches of the trade unions and clubs for members as well as senior shop stewards and shop stewards in the individual enterprises.

Centralisation and decentralisation are thus not processes which take place solely between the main levels in the organisation or bargaining system. It is also processes which take place within the individual levels. We thus distinguish between *vertical centralisation/decentralisation* as designating the processes between the levels and *horizontal centralisation/decentralisation* as designating the processes within the individual levels (Mintzberg 1979).

It should be added that the political regulation level also comprises different levels. Seen as a sort of overall level in relation to the organisation and bargaining system, it is composed of three levels: political regulation (legislation), tripartite regulation and regulation through the public conciliation service.

The structure has been simplified in the table above as the regional and local levels have been grouped together. In a small country like Denmark, there are only few regional agreements on the private labour market. During the first decades of the bargaining system, it was common to see a splitting up of agreements on regional sectors within many occupational fields, but this structure has gradually disappeared. And negotiations used to take place as single-industry bargaining - not multi-industry bargaining. These have been included in the table as such bargaining takes place to a certain extent in the public sector. It is also here that we find what could be described as a regional level with the counties in the role of employers. But it is not a proper regional level in the sense of an intermediate level between the central and local level. In the private sector, the most important feature today is centrally concluded sector or branch level agreements supplemented by local agreements concluded at enterprise level and sometimes also at workplace level. The situation here is thus radically different from the situation in bigger countries such as, for instance, Germany where the regional bargaining level plays an important role.

If we look upon the main trends in the development of the Danish bargaining system, it could be said with some right that some of the most important changes have taken place at the central level. The first was the centralisation of bargaining from sector level to the main organisation level when the bargaining system was decentralised during the first era of the system's history from the years about 1900 up to the 1930s. And later with the decentralisation of bar-

gaining from the main organisation level to the sector level when centralised decentralisation was established in the 1980s and 1990s.

The connection between the bargaining system and the organisation system is demonstrated in the table by the indication in pillar two of the organisations which must be considered to be the main actors. This complicates the picture as the development trends in the direction of centralisation and decentralisation will not necessarily be simultaneous in a bargaining system and an organisation system, but may be staggered, cf. the assumptions of Clegg and Sisson concerning the inter-connections between bargaining structure and organisational structure. It is a fact that power is concentrated in the labour market organisations, i.e. the *internal structure*, at the level where collective bargaining takes place, but the structure of the organisations, their delimitation in relation to other organisations, i.e. their *external structure*, is more or less legitimised by the establishment of the collective bargaining system which implies a recognition of the existing organisations on the part of the employers, and often also on the part of the state (Clegg 1976). This is, however, subject to the express pre-condition that the centralisation of competence or degree of centralisation (the internal structure) which forms the basis of the bargaining system can be achieved within the given organisational principles (the external structure). It could be said that the organisational system in Denmark has to a certain degree been able to "allow itself" to be out of step with the bargaining system; but it should be emphasised, only to a certain degree. To the extent that it has not been possible to place the decision-making competence at the level where the bargaining takes place, it has been necessary to change the organisational structure, i.e. the external build-up. The inertia of the traditional Danish organisational build-up based on occupational lines has been so pronounced that such adaptations have typically taken place through the establishment of various intermediate forms, bargaining cartels, which have assumed the bargaining tasks (Due and Madsen 2001).

It is the structure and conduct of the employers which will determine the main features of the establishment and content of the collective bargaining system in the individual countries - on the basis of degree of industrialisation and technology. This is the price for the acceptance of collective bargaining as the norm for regulation of pay and working conditions, in the first place (Clegg 1976). Sisson adds that the emergence of the trade unions also has an influence on the conduct of the employers and that the bargaining system may thus be seen as a historical compromise (Sisson 1987). But, at the same time, one of his main theses is that the *bargaining level* itself is, first and foremost, the result of the employers' attempt to push through the type of bargaining which is optimal in relation to their interest in maintaining managerial control in the enterprises (Sisson 1987, p. 13-14, 188-189). In Denmark, it was a demand on the part of the employers that a centralised bargaining system should be set up under the control of the main organisations. The trade union movement had to adapt to

this situation, if not formally, then in actual practice. But it was a long and tedious process and - due to the trade unions' reluctance to give over decision-making competence to the main organisation level - supplementary political regulation had to be introduced before the centralisation became a reality. This highlights the fact that it is not a matter of an automatic adaptation, but a pressure from the opposite part and the political system to which the trade unions only slowly and reluctantly adapted themselves (Due et al. 1993, Due and Madsen 2001).

With the existing set up, we have seen the IR-system as a cohesive level-structured entity. But, both in terms of bargaining and organisational build-up, one could possibly speak about several systems ranking at the same level. As regards the bargaining system, it can be broken down on a number of *main fields* with, partly, different actors. The dominating field is the LO/DA field which covers the biggest part of the private labour market (LO - the Confederation of Danish Trade Unions; DA - the Danish Employers' Confederation). But in addition to this, there are independent bargaining fields for agriculture and forestry and related industries and for the financial sector on the private labour market. And then there is the bargaining system on the public labour market. There is no division into different levels in the relation between these sub-fields, but there is, nevertheless, a form of hierarchy which may be important for the understanding of the general system. The centralised regulation in Denmark has thus been characterised by a clear hierarchy among the actors in these fields. During the glorious era of the central model from 1950 to 1980, the LO/DA field has thus been trend-setting for the other fields. Collective bargaining rounds covering the entire labour market took place every second year with the LO/DA field setting the level which would then be decisive for the bargaining process in the agricultural sector and in the public sector.

IR-systems have been - and continue to be - mainly nationally based, but during the most recent decades, an *international dimension* has developed in labour market regulation as a consequence of the internationalisation of the economy and the development of supranational political forms of regulation, including, in particular, the European Union. This means that centralisation and decentralisation processes will also involve a relocation of resources and/or decision-making competence between a national and an international level.

An analysis of centralisation/decentralisation in the Danish IR-system will thus - in the light of the description given above - comprise five elements:

First, a study of the relocation of resources and/or decision making competence *between* the levels (vertical centralisation/decentralisation), for instance, delegation of decisions concerning concrete pay and working conditions from the central to the local bargaining level.

Secondly, a study of the relocation of resources and/or decision making competence *within* the levels (horizontal centralisation/decentralisation), for instance,

the transfer of bargaining issues from the main organisation level to the sector organisation level.Thirdly, a study of the relocation of resources and/or decision making competence between the bargaining system and the political system, for instance legislation about the legal status of employees in the employment relationship and about the employee representatives' and employees' access to wage data in connection with cases concerning equal pay.
Fourthly, a study of the relation of strength between different main fields and/or competing organisations within the overall organisation and bargaining system, for instance the growing independence of the public sector bargaining system in relation to the present dominating LO/DA field in the private sector.
Fifthly, a study of the relocation of resources and/or decision-making competence between the national and the international regulation level, for instance implementation of EU Directives concerning equal pay and working time.

As mentioned above, it should be born in mind in connection with an analysis of these processes that the IR system is composed of both a bargaining system and an organisation system and that the processes in these two systems may be staggered in terms of time and, in some cases, even going in opposite directions.

In the introduction to this section, we mentioned that it was of decisive importance for us not to use the concepts centralisation/decentralisation as designating mutually exclusive processes, i.e. as a sort of zero-game where growing decentralisation automatically leads to less centralisation and vice versa. We have had this dichotomic perspective even in our early analyses of the Danish collective bargaining system (Due and Madsen 1980). In these analyses, the history was seen from an evolutionary perspective as a progressive development from decentralised to increasingly more centralised forms of regulation. We were also aware of the opposite trend in the Danish model with the decentralised wage system in the trend-setting iron industry, but we did not accord sufficient importance to this feature of the system. The reason was, of course, that the growing centralisation was, at that point of time, the main history which could be told about the Danish bargaining system. Our suggestion as to how the obvious crisis of the system during the second part of the 1970s could be solved was also typical: a further centralisation in the form of the development of an institutionalised tripartite system. The reality turned out differently - or, more accurately, the employers opted for a new decentralisation strategy and the 1980s and the 1990s thus became a turning point for the bargaining model. Our subsequent analysis demonstrated that it was not a matter of an unambiguous decentralisation process. What happened was a shift from the main organisation level to the sector organisation level (horizontal decentralisation) in the central bargaining system and a delegation of decision-making competence concerning determination of pay and working conditions to the enterprise level (vertical decentralisation). But, at the same time, an organisational and bargaining centrali-

sation process took place at the central level through the establishment of new big sector organisations (Due et. al. 1993, 1994).

It was clear at that time that it was a matter of simultaneous trends towards both decentralisation and centralisation and that the bargaining system in the real world could only be analysed with the use of complementary rather than a dichotomised centralisation/decentralisation concept. The advantage of this approach is also that it is more open in that the emphasis is upon looking for different trends at different levels. This means that there will be more room for using an *action perspective* where the build-up, maintenance and changes of the social system is seen, not only as a result of external factors such as changes in the technological and economic development or the inherent characteristics of the system, but also as a result of the strategic and tactical choices of the actors in relation to the external pressure and the interaction among these choices.

In the introduction, we have given the contours of a new form of development line according to which the IR-system develops from decentralised regulation to centralised regulation, over centralised decentralisation and ends up with multi-level regulation which - unlike the other forms of regulation - has no dominating level. It should be stressed that in doing so we have not narrowed down the perspective which has been underlying our complementary view of centralisation/decentralisation. We are not falling into a new deterministic hole; a sort of automatism in the development of the society which can otherwise be said to characterise some of the present scenarios in the field of social science. For instance the idea of the transition from the industrial to the post-industrial society. And the governance concept of the political science according to which hierarchical governance is replaced by a more diffused network governance system (Mailand 2001, Andersen 2001). It is beyond doubt that these ideas are not only reflecting an isolated scientific discourse, but also astonishment in the face of the actual trends in the society. The aim of this study is thus to test whether some of these trends also apply to the field of labour market regulation or industrial and employment relations.

It is in this perspective that we will below analyse the development of the Danish organisation and bargaining system before continuing the theoretical discussion. In this context, it is not a matter of an exhaustive study, but merely an analysis of singular main feature of particular relevance in connection with a discussion of centralisation and decentralisation processes. The analysis is based on our earlier works concerning the establishment and development of the Danish bargaining model (Due et al. 1993, 1994, 2000; Due and Madsen 2000).

The establishment of centralised regulation

With the liberalisation of the of the labour and product market in Denmark during the last thirty years of the 19th century, market regulation became the dominant regulation for growing groups of skilled and unskilled workers. In reality, it was a form of unilateral regulation with the employers unilaterally dictating pay and working conditions. This was the background for the workers' efforts to obtain influence on the regulation through the establishment of trade unions. The new trade unions tried to introduce joint regulation by forcing the employers to accept collective agreements. Decentralised regulation continued to exist - especially at enterprise level, but gradually also for occupational groups in the individual cities.

The establishment of a centralised collective bargaining system as the basis for regulation of employment relations in Denmark goes back to the September Compromise from 1899, the first general agreement between the two newly founded main organisations, the Confederation of Danish Trade Unions (Landsorganisationen i Danmark, LO) and the Danish Employers' Confederation (Dansk Arbejdsgiverforening, DA). The emerging trade unions had before then obtained success with the decentralised regulation of pay and working conditions. And in line with the local trade unions being joined in national associations, they stuck to a decentralised lever or leapfrogging strategy according to which they tried to improve pay and working conditions by attacking the individual employers in a local area one by one. This is why this approach was called the "screw". In this way, the unions could use their joint strength, while the employers were isolated. However, there were also attempts in the direction of central regulation at sector level in the form of more comprehensive agreements between the new unions and their opposite party, the employer associations.

Due to the structure of trade and industry in Denmark - with many very small enterprises as a dominating feature - the employers saw the establishment of a centralised bargaining system as their only chance for matching the unions. This was the situation at the threshold of the 20th century when it had turned out not to be possible to make the unions disappear by force. The agreements were still to be concluded at trade or sector level, i.e. single-industry bargaining. This corresponded to the member organisations being organised in the two main organisations. But the negotiations in connection with these sector agreements were to be co-ordinated at the level of the central organisations and conducted under their responsibility in order to ensure that the different groups of employer were not played off against each other, i.e. in reality, a form of multi-industry negotiations. It has since then been a characteristic feature of the Danish bargaining system - even in its most centralised period - that it has been composed of a combination of regulation at the two central levels: sector/trade level and national level, i.e. both single-industry and multi-industry bargaining.

The employers had to take industrial action, the Great Lockout, which, even by European standards, was the most comprehensive labour dispute seen until then (Crouch, 1993), in order to force the workers away from their decentralised combat strategy. They succeeded in doing so with the conclusion of the September Compromise which also regulated collective work stoppages by introducing rules on notice of industrial disputes. In combination with the introduction of the system for settlement of industrial disputes - which was introduced by statute in 1910 - industrial disputes were institutionalised and the conclusion of collective agreements became the norm for the regulation of pay and working conditions.

The desired centralisation of collective bargaining took place only very slowly. The trade unions which were members of LO were reluctant to surrender their powers to conclude collective agreements to LO. This meant that the centralisation took place at sector level, as a start. DA pressed through the coordination by gradually adapting the currency of the many agreements so that they were to be renegotiated at the same time and by using lockout as a weapon of sympathetic or seconcary action if unions refused to renew agreements on the terms which the employers found acceptable. It was not until the 1930s that a new shift took place in the degree of centralisation from the single-industry to the multi-industry level. This took place in the form of an amendment to the Act on the Public Conciliator which empowered the Public Conciliator to not only proposing, but also *linking together* ballots on draft settlements. Through this voting procedure collective bargaining at sector level was in reality merged into a common multi-industry bargaining process. The American expert in the field of Scandinavian industrial relations models, Walter Galenson, has thus correctly described the submission by the Public Conciliator of draft settlements as "the crucial stage in collective bargaining" (Galenson, 1952, p.112).

This meant that the wish of DA for a centralised regulation of pay and working conditions has come through. But it should be added that the trend during this establishment period was not only moving in a centralist direction. As early as in 1900, *rules on shop stewards* were introduced in the iron industry as well as an enterprise-based *minimal pay system* with an agreement between the two parties at sector level. This minimal wage system - under which the actual wage conditions were determined by local wage bargaining in the individual enterprises during the term of the agreement - has been the dynamic element of the organisational and bargaining system. A system which might otherwise - with the strong centralisation degree which had gradually been introduced - involve a risk of lack of flexibility. The collective agreements at the central level thus constituted the overall framework for the wage bargaining taking place at enterprise level, i.e. a form of *centralised decentralisation* which has played an important role for the Danish collective bargaining system as such right from its establishment.

From the very start, the rules on shop stewards - which were gradually followed by similar sets of rules in other fields - underlined the character of the Danish bargaining system as a *multi-level regulation system.* The Danish collective bargaining model is with the formulation used by Clegg characterised by an extreme *depth* (1976), meaning that the organisations and the agreements are coherent right from the central level and right down to the enterprise level. The shop stewards are mainly defined as the watchdogs of the collective agreements. Both in connection with disputes concerning the interpretation of agreements as well as breaches of agreements, the system for settlement of industrial disputes functions as a cohesive institutional arrangement connecting the individual workplace and its managers and employee representatives with representatives of local organisations and, further on, with representatives of the national organisations, both at sector level and at the level of the main organisations. It is a matter of regulation at several levels. The Danish bargaining system could thus be described as a tree tier regulation system with a central multi-industry level, a single-industry level and a local enterprise level. But, at the same time, there has been do doubt right from the beginning of the 20th century and up to the end of the 1970s that the central regulation level was the pivot of the entire bargaining system.

The third actor

If we look upon the entire industrial relations system, it is not only the question about the collective bargaining system which has to be evaluated. As will be known, there are not only two, but three actors in the IR system. This is why the relation between the two main parties in this bargaining system, the organised workers and the employers, and *the political system* must also be taken into account. This concerns, on the one hand, the backing-up by the political system of the bargaining system through the legislation on the public conciliation service and other labour law issues and, on the other hand, the involvement of the two parties in the political regulation of the labour market, for instance through the labour market policy.

Seen in this perspective, the Danish IR system must be characterised as a *voluntary system*, i.e. a system of independent, voluntary organisations which, as a main rule, are themselves in charge of the regulation of pay and working conditions. Certainly, supporting legislation has been introduced, which has ensured the establishment of both the public conciliation service and the labour law system, but the labour market parties have very much seen these institutions as their own institutions, partly because they are involved in the appointment of conciliators and judges and also function as judges, and partly because a system has been established under which changes in these institutions may, as the main rule, only take place subject to prior agreement among the central organisations. The above-mentioned extension of the powers of the Public Conciliator in the 1930s - which has become the pivot of the bargaining system as such - was also

introduced by legislation. But this has not undermined the self-regulation principle of the bargaining model. This is emphasised by the established practice according to which a draft compromise will only proposed by the Public Conciliator if both sides agree to it. This means that the Public Conciliator can only use his extended competence when this is the wish of the labour market parties.

Nor has the self-regulation principle been challenged in any serious way by the development of a practice for political intervention in bargaining situations where the parties have not been able to find a solution on their own or with the assistance of the Public Conciliator. This practice was established during the crisis in the 1930s - normally in the form of the rejected compromise proposal being given the form of law. The bargaining model with the principle of free negotiations and the right to take industrial action had to give way in special cases to overriding social interests, but in such cases the political interventions should be as close as possible to the two parties' own bargaining results.

The same period saw the start of a development which gradually led to *representation of the labour market parties* on a large scale in commissions, boards and councils dealing with labour market issues. Although the core of the Danish model can be said to be the settlement of disputes concerning pay and working conditions through an institutionalised bargaining relationship between the opposite parties on the labour market, especially represented by DA and LO, the creation of consensus between the two parties as a pre-condition for the implementation of labour market related political initiatives gradually became an equally central element. In an even broader perspective, a connection can be seen between the conclusion of the September Compromise and the establishment of a bargaining system and the subsequent building up of the welfare state.

Another way of expressing this is that the foundation for the establishment of the welfare state has always been that the Danish organisational and bargaining system has been able to function as an arena for the solution of conflicting interests on the labour market and has thus contributed to ensuring a stable economic and political development. This is what we mean when we talk about *the Danish model.*

The political influence of the main organisations seems to a very high extent to be conditional upon their ability of reaching the necessary compromises and subsequently ensuring an effective implementation and enforcement of the rules introduced. This makes the organisations independent of changing political trends and developments. But on the other hand, they are tied to each other and their ability to arrive at mutually acceptable compromises which are, at the same time, sufficiently effective when it comes to solving the political problems which the Government and the Folketing (the Danish Parliament) wish to be solved. This strong mutual dependence or interdependence between the two sides has been a central element in our analyses of the development of the Danish bargaining system and the Danish model (Due et al. 1993, 1994) and it is

also an important point in connection with the corporate approach and the system theory. This applies, for instance, also to an attempt to develop a Luhmann system-oriented approach to industrial relations (Rogowski 2000).

There is thus a complex interaction between the labour market parties and the political system and this interaction seems to a very high extent to influence the centralisation degree in the organisation and bargaining system. Both the administration of the labour law system and the public conciliation service and the representation in various boards and councils have led to a strengthening of the first established and until now dominating main organisations, LO and DA. As a whole, the relations to the political system seem to promote trends in the direction of centralisation. And although other main organisations - and also sector organisations - have gradually been involved, it is mainly the first and biggest main organisations, LO and DA, which are interesting for the political actors. This is connected with the above-mentioned thesis about consensus between the parties as a pre-condition for political involvement and influence.

The decades of centralisation

The big era for centralised regulation in the Danish collective bargaining system was the decades between 1950 and 1980. It was during this period that centralised bargaining under the control of the main organisations was introduced, i.e. a bargaining system in which the national multi-industry main organisation level became dominant in relation to the single-industry level, although collective agreements were still formally concluded at sector level. This was introduced in Denmark through a change in the negotiation rules between LO and DA. A distinction was introduced between specific and general claims with the main organisations taking over the negotiations in relation to the latter at a certain stage of the bargaining process. This turned out to be the case with nearly no exceptions during the period from the start of the 1950s until the end of the 1970s. Before then, when the main emphasis had been on the sector level, the two parties in the iron industry had often taken the lead and had acted as a "key bargaining area". Now this influence became more indirect through the negotiations concerning specific claims and through the influence of the two sides on the top bargaining units of the two main organisations so that it was still mainly the sectors most exposed to competition which determined the line for the level of the improvements in the collective agreements concluded.

It was during this period that a fixed practice was introduced according to which bargaining for practically the entire labour market took place every second year and where the results in the field covered by DA/LO in the private sector set the trend for the subsequent negotiations in the public sector. There is thus not only a clear hierarchical relation between the levels in a main field - more specifically, the LO/DA field on the private labour market. It was also a matter of a dominating influence from the two main organisations in this field and the

agreements concluded by them on the parties in the rest of the labour market. In this way, a connection was created between the export-sensitive "key bargaining area" and increases in costs on the entire labour market.

The golden age ended with growing problems in the course of the 1970s and with accelerating speed up through the 19980s. The organisation and bargaining systems were facing new challenges due, among other things, to the internationalisation and the technological development. In the words of the Danish employers, a change took place in the needs of the enterprises which could not be met by the centralised bargaining system which therefore had to be changed. There was a need for more flexible solutions adapted to the competitive situation of the individual enterprises.

The centralised system seemed to promote a trend on the union side towards a wage policy based on solidarity and an evening out of differences in income. A line which the employers turned against and the impact of economic crisis was felt through the second part of 1970s where the labour marked parties were unable to negotiate solutions in three bargaining rounds on end so that political interventions had to be introduced after a short industrial major dispute in 1973 in connection with the renewal of collective agreements in 1975, 1977 and 1979.

Centralised decentralisation

Right since the establishment of the bargaining system in the 1890s and up to the end of the 1970s there had been a line with a more or less uninterrupted trend in the direction from decentralised to more centralised negotiations and for the organisations - in particular, LO - the most obvious solution to the crisis also seemed to be further centralisation. More precisely, in the direction of more far-reaching income policy arrangements under which the self-regulation system of the labour market parties was replaced by a *corporate tripartite system*. LO presented a demand for economic democracy - a demand which was opposed by the employers, but which was just a hair's breadth from being implemented politically. LO was - perhaps inspired by the development which took place in Sweden at that time - on the edge of discarding the pre-condition for the Danish model: the consensus principle between the two main organisations. And it was probably more the uncertain parliamentary situation in Denmark rather than considerations of the bargaining model which meant that neither economic democracy or similar arrangements were introduced by legislation and that no attempts were made to introduce an institutionalised tripartite system in an attempt to solve the crisis (Due and Madsen, 1996, 2000). Instead of lifting centralisation one level up from the two parties' self-regulation at the level of the main organisations to the political level, a development was launched in the opposite direction. Initiated by the employers, a process was started in the direction of decentralisation of decision-making competence to the

enterprise level in order to meet the enterprises' need for more flexible solutions.

From the start of the 1980s, a certain decentralisation took place of the collective bargaining system by the focus being shifted from the main organisations to the sector organisations which concluded agreements. The splitting up into general and specific claims was abolished so that the direct parties to the agreements negotiated all issues and the main organisations only played a direct role if the negotiating organisations were not able to find solutions on their own and the public conciliation service was therefore involved. With this shift, the iron industry and later - after mergers of a number of organisations - the entire industrial sector regained its position as a "key bargaining area", but in the majority of the bargaining situations an overall co-ordination took place through the possibility of the Public Conciliator of linking together the balloting processes. There was still a high degree of central control and there was also a relapse to strongly centralised bargaining and political interventions. This was the situation in 1985 (Due et al. 1993, 1994).

It seemed difficult within the existing organisational and bargaining framework to push the development further in the direction of the decentralisation, which the employers hoped to see realised. They wished most decisions about pay and working conditions to be taken at the level of the enterprises. If this delegation was to take place under a certain control from the existing organisations this would require a centralisation process of powers in the organisational system which could not be obtained with the existing organisational structure which therefore had to be changed.

It was the special way in which the centralisation of the bargaining system had been implemented during the period up to the 1930s which now turned out to be a problem. In actual practice, the power had been placed with the main organisations. They controlled the content of the collective agreements generally, and, in particular, DA also controlled the more specific content of the many sector agreements. The agreements thus established a very detailed regulation system under the control of the main organisations. This is why the continued existence of a very big number of sector or trade organisations and - as a result of this - a big number of collective agreements was not a major problem. By the end of the 1980's, there were still more than 600. Roughly speaking, all that was left to the parties to the many agreements and their representatives at enterprise level where the agreements were administered was to the check the answer book and abide by it. If disputes developed they could then involve the organisations in accordance with the procedures for settlement of disputes laid down in rules about arbitration and similar proceedings.

But in a new system - where there should be more room for flexible decisions in the individual enterprises and where the collective agreements should thus function as a framework management system instead of a detailed regulation system - it was a problem that no effective measures had been introduced to

deal with the split-up organisational structure. In combination with the structure of trade and industry in Denmark with many very small enterprises, decentralisation - under these conditions - could easily lead to the complete absence of central governance. If the objective was a dismantling of the Danish bargaining model, the option could, of course, had been for deregulation and disorganisation and the development could have been left to the free play of the market forces in the individual enterprises, i.e. a pure market regulation system. But if the option was for the maintenance of an overall system, the decentralisation of decision-making competence concerning pay and working conditions to enterprise level could only take place if changes were, at the same time, introduced in both the organisational structure and decision-making competence at the central level.

As it was the employers who wanted this decentralisation, it was the member organisations of DA which took the initiative to introduce radical structural changes with the decisions taken at their general assembly in 1989. With this process a merger of organisations at sector level took place, for instance of nearly all employers in the industrial sector in the Confederation of Danish Industries (Dansk Industri, DI) which has become the dominating member organisation of DA. They have pushed the trade unions in this important bargaining area into a similar merger in the form of the bargaining cartel, CO-industri, which does not, however, play quite the same dominating role in LO as DI does on the employer side. Although the development is slower in other sectors, the main trend is in the direction of a system where a few sector organisations conclude overall framework agreements which give the two sides at enterprise level wider possibilities for concluding agreements on their own about pay and working conditions within the overall framework (Due and Madsen 2001).

The Danish employers have initiated this development for the reasons mentioned above. But many trade unions have contributed positively to this process in recognition of the fact that they will only be able to survive in the longer perspective if they strengthen their efforts at enterprise level. It has been a typical feature of the renewal of the collective agreements in the 1990s that they have significantly increased the possibilities for concluding wage agreements in the individual enterprises. From 1989 to 2000, the number of employees in the LO/DA area covered by minimal pay and minimum wage systems or without any fixed wage rates in the collective agreements, i.e. wage systems where the actual wage is fixed locally, has thus grown from about 66 per cent to about 84 per cent, while the number of employees covered by the so-called normal pay system - under which the wage is fixed by conclusion of agreements at the central level - has fallen from about 34 per cent to about 16 per cent (DA 2000, p. 184).

The parties on the Danish labour market have opted for a continuance of the bargaining system. This means that a high density rate and a high coverage of collective agreements have been maintained during an adaptation period dur-

ing which many other countries have been characterised by a strong fall in union membership and some even by a break-down of the bargaining system. Decentralisation has not turned into a deregulation or disorganisation process (Traxler, 1995).

A system of *framework agreements* has developed which gives more scope for flexible solutions in the enterprises and, at the same time, a higher degree of overall governance. We call this system *centralised decentralisation.* This implies a vertical decentralisation of the bargaining system through the continuing process of delegation of competence concerning the determination of pay and working conditions from the labour market parties at the central level to the parties at enterprise level. At the same time, there has been a horizontal decentralisation process in the form of the shift in the collective bargaining system from the main organisation level to the sector level or from multi-industry to single-industry bargaining. But, in spite of single-industry bargaining, almost all bargaining rounds have resulted in a general ballot for the entire LO/DA field through the competence of the Public Conciliator to go through with a ballot which links together the individual bargaining results which have been obtained. On top of this, a centralisation process has taken place of the organisational structure, mainly through the establishment of the two big sector organisations Dansk Industri (the Confederation of Danish Industries) and CO-industri (Cartel of unions in industry). The development has thus been characterised by simultaneous centralisation and decentralisation processes. The *depth* of the bargaining system has been widened through the delegation of a growing number of decisions to the enterprise level. But, at the same time, the *scope* of the bargaining has been extended in the sense that more and more issues - such as pensions, education/training, pay during sickness, maternity pay, special care days, etc. - have been incorporated into the agreements (Clegg 1976).

This concept has also been chosen because the development which we have seen means that the bargaining powers which have existed at the central bargaining level have been transferred to the enterprise level in connection with this decentralisation process. When the door has been opened up for higher degree of working time flexibility within a centrally determined framework, then the use of this flexibility requires agreement between the two sides at the local level, i.e. between management and employee representatives and this is not something that can be dictated by the employers. Centralised decentralisation means that the core of the bargaining structure - which is found at the central level - is transferred to the local level together with the delegation of decision-making competence. And this is actually what has happened in the Danish bargaining system in most fields. This applies for instance to the working time rules in industry and it also applies to the new flexible wage system in the public sector.

It is, however, important to note that this transfer has not taken place without opposition on the part of the employer organisations. Under pressure

from the owners of the enterprises, they have tried to include as many issues as possible under the management prerogative. This is connected with the point made by Sisson: that one of the reasons why employers actually accept to conclude collective agreements in the first place is to limit the attack on the managerial prerogative. By negotiating general pay and working conditions at the central level, the battle is kept away from the individual workplace which means that the management will - of course, within the framework of the collective agreements - preserve the management prerogative (Sisson, 1987). If the employers are not to feel that their management prerogative is being attacked it is - in the light of this thesis - an open question how far decentralisation can be taken. It is, anyway, a fact that discussions are still taking place about the local right to conclude agreements. And it is thus not a given thing that the decentralisation can, also in the longer perspective, be said to take place in a way which preserves the main principles of the Danish bargaining model. Maybe the delegation of decision-making powers during the coming decade may end up in a final farewell to the bargaining model as we have known it so far.

As regards wages, local bargaining has always taken place in the iron industry; except for an important instrument in the wage bargaining process which has not been delegated from the central bargaining level. That is *the right to take industrial action* which - with a few theoretical exceptions - can still only be exercised in connection with centralised bargaining. It can thus be said that it is the existing element of centralised decentralisation with the minimal pay system of the iron industry which is being transferred to more and more fields. But it is not only that. It is also a widening of the local room for manoeuvre. This is reflected in the development which has taken place within local flexible wage systems with local bargaining power. The old minimal pay system has been yielding, while there has been a growth in the use of the so-called minimum pay systems and in agreements without any fixed wage rates at all. Under the traditional minimal pay system, the minimal pay rate is included in the calculation of the wage of the individual employee and in connection with local wage bargaining a set-off may - at least formally - take place of the increase agreed upon at the central level. Within the minimum pay system, the centrally agreed rate is just a safety net under the wage system and does thus not directly form part of local bargaining where no set-off can take place. In connection with agreements without fixed wage rates, the wage issue is left exclusively to local bargaining.

Although the local element has thus been strengthened and in spite of the existence, in principle, of free wage bargaining - but as mentioned, without any right to take industrial action - it should be added that in actual practice there has still been a certain degree of control over the wage system. In the 1980s and until the early 1990s, it was a matter of official wage control which can be compared with the Swedish system where the framework for local bargaining is laid down at the central negotiation tables (Due and Madsen, 2000). But since

then, there has, in principle, been a free play for wage formation adapted solely to the needs of the enterprises and to the development in productivity. It has, however, turned out that wage bargaining is to a lesser degree governed by the actual results of the individual enterprises than by local and central norms. There is a more or less pronounced direct rub-off effect from the centrally agreed increases in minimal pay rates, minimum pay rates and normal pay rates to the demands made at enterprise level in connection with local wage bargaining. And this connection has probably had a bigger influence on the wage development than the quite unique conditions in the individual enterprises.

This is probably the result of the high organisation rates - which have, over the last two decades or so, been about 80 per cent in Denmark - and the high degree of transparency in the negotiations. Together with the lack of the full implementation of changes in the organisational structures, this may be seen as a contributory factor when it comes to explaining why the bargaining system was during the 1990 heading towards a new crisis which brought back the memory of the locked-up situation in the 1970s. This is why it turned out to be necessary - on the way into the second century of the bargaining system - to implement new reforms in order to preserve this model and its self-regulation principles.

One of the problems has been that a transfer of power has taken place in the organisational system and that it has therefore been difficult to ensure the balance between the level of the main organisations and the level of the sector organisations. The balance of power has tipped from the level of the main organisations to the level of sector organisations. This has been most pronounced on the employer side where DI has in the 1990s actually been more powerful than DA. But this has not done away with the overall co-ordination at the employer side. The industrial sector seems to have had a continued need for controlling the overall wage development and this is why DI has tried - through the co-ordination in DA - to determine the development in all other sectors. This has taken place through a strategy described as the co-ordinated decentralisation where DI is taking the lead and together with CO-industry concludes agreements which set the level for and determine the main elements within all other sectors. This has led to turbulence in the organisational system and has thus been a threat to the internal cohesion.

The political system and other bargaining fields

In connection with the development within the bargaining system of centralised decentralisation there has been shift in the relations of labour market parties to the political system. From 1982 to 1992 the governments were led by liberal/conservative parties, but since 1993 the governments in office have been led by the Social Democratic party. But, irrespective of the colour of the Government, there has been a co-operation between the parties and the political system for the purpose of pursuing a low-inflation economic policy in order to en-

sure the international competitiveness of the enterprises through a balanced increase in the rate of wage increases which could also maintain and, preferably, improve real wages and ensure a growth in employment.

It could be said that there has been a rather informal tripartite co-operation concerning the issue of the incomes policy. This has led to the conclusion of an agreement, the so-called *common declaration* of November 1987, in which the parties - in the form of the main organisations - committed themselves to pursue a wage moderation policy which would enhance the competitiveness of the enterprises. This declaration is nothing but a mere declaration of intent without binding legal effect. Nevertheless, the social parties have, to a wide extent, complied with it - from the level of the main organisations, over the sector organisation level to the enterprise level. Wage increases have been kept at a very low level. It testifies to the cohesion of the bargaining system and its co-ordination capability that this has been possible at a time when the possibilities have been enhanced for local wage bargaining. Until the early 1990s, this development has of course been favoured by the continued rather high level of unemployment, but wage increases have not been significantly higher since then after the marked fall in the level of unemployment which we have seen since then. This clearly demonstrates that wages are not exclusively market-regulated. It is the parties who have ensured the necessary co-ordination through their joint bargaining system and in co-operation with the political system.

It is, however, important to note in this connection that this is not a specific Danish phenomenon. On the contrary, it is a matter of a wage policy development, which has been experienced by most EU Member States. By way of example, tripartite systems were set up in the Netherlands to promote this form of competition-determined wage bargaining several years before the Danish joint declaration was signed. The labour market parties in most of the European countries have in co-operation with the national political system - developed a sort of "competitiveness bargaining system". The support of the parties in Denmark to a low inflation policy may thus be seen as an expression of *multi-level regulation* where the national level has to adapt to an overall international regulation. This is mainly a matter of the influence from the politically-determined economic deregulation process which follows from the establishment of the single European market, but also various political initiatives to create a countervailing labour market regulation at European level.

It is still the two biggest and oldest main organisations, LO and DA, which have been the most important actors in the tripartite co-operation in Denmark; but there is a trend towards increased involvement of other main organisations, both *the employer side* (SALA and FA - SALA: the Confederation of Employer Organisations in Agriculture; FA: the Confederation of Employer Organisations in the Financial Sector) and on *the employee side* (FTF, AC and LH - FTF: The Salaried Employees' and Civil Servants' Organisation; AC - the

Danish Confederation of Professional Associations; LH - the Confederation of Managers). This reflects the fact that these organisations have become relatively bigger as a result of the shift in the labour force from the traditional groups of blue-collar workers to white-collar groups and groups with higher education. This also means that the LO/DA field - which has been dominating until now - has not during the last two decades held the same dominant position in relation to the other bargaining fields. Both the agricultural sector and the financial sector on the private labour market seem to wish to maintain and extend their independent position and it has also at several occasions been clear that the two parties in the public sector do not wish to subject themselves to the decisions taken in the LO/DA field. This has given rise to some internal tension in LO because there are a number of member organisations which have a strong position in the public sector and which attach greater importance to ensuring the influence of the parties in the public sector than to maintaining the former LO/DA dominance.

On several occasions, the parties in the public sector have thus taken the lead by introducing new elements in the bargaining process. This was especially the case in relation to the issue of pensions where the parties had started already in 1989 to build up a labour market pension scheme for those groups which did not already have a pension scheme as the public servants had. This labour market pension was not introduced in the LO/DA field until in the following bargaining round in 1991. During the decade which has passed since then, the development of this scheme has continued and the capital owned by the pensions funds and administered by the labour market parties is today an important factor in the Danish national economy. In this way, the pensions schemes have become a sort of substitute for the idea of "Economic Democracy" for which LO failed to gain sufficient political support back in the 1970s. Now it has been given a more decentralised sector-oriented form, but has, in return, been implemented through the bargaining system. With the subsequent acceptance from the employers, this means that these schemes are less sensitive in relation to political conditions and they have contributed significantly to a strengthening of the Danish bargaining model. This has reduced the risk that the employers would let completely go of the overall co-ordination principle and go in for a dismantling of the model through deregulation and disorganisation.

Centralised or organised decentralisation

Before we deal with the signs of crisis for the Danish bargaining system which developed during the second half of the 1990s, we will compare our discussion of the issue of centralised decentralisation with similar concepts used by other researchers.

We use the concept centralised decentralisation to designate a process where the Danish IR-system is, at the same time, characterised both by trends

towards decentralisation and to centralisation. Generally, this development can be seen as a result of the central labour market parties' attempt to ensure the continued overall control under conditions where requirements are made for a higher degree of flexibility in wages and employment in the individual enterprises and where the determination of pay and working conditions therefore has to be relocated from the central to the decentralised level. It is thus a process, which has involved the relocation of resources and decision-making competence about bargaining issues from the central level to the local level. At the same time, a centralisation of the organisational system in the form of the establishment of new big sector-wide federations has taken place with a view to ensuring the overall co-ordination. And finally, a shift has taken place - within the central level - from bargaining at the level of the main organisations to bargaining at sector organisation level as the pivot of the bargaining system, but in a way which still ensures an overall co-ordination for the whole trend-setting LO/DA field on the private labour market through the linking together of ballots concerning the various sector agreements.

Our conclusion has therefore been that although the parties abandoned the centralised regulation system at main organisation level after 1979, they have maintained the main principles of the Danish bargaining system with strong organisations on both the employer side and the employee side with regulation of pay and working conditions through the conclusion of collective agreements. In terms of organisational theory, it is a matter of a decentralisation of decision-making processes in such a way that knowledge and experience are decentralised and placed at all levels of the organisation in question while the central decision-making process is, at the same time, changed so that the decision-making processes are still controlled, but through more indirectly working control mechanisms such as, for instance, "management by goals and frameworks" (Blau and Scott 1963).

In this sense, *control, management and co-ordination* are important keywords when we are talking about centralised decentralisation. There is still, as an important factor, an idea of the existence at the central level of a strong body which tries to co-ordinate the overall labour market regulation system.

In relation to this issue, we are in line with a number of other researchers who have used similar concepts. One of the main reasons for using these designations has been to question the argument that the fall in the membership of the trade unions and a certain decentralisation and, in some contexts a weakening of bargaining systems in a number of countries can be taken to be the result of deregulation and disorganisation process as such. This may have been the case in the UK and the USA, but it applies to a much smaller extent to continental Europe - although there has actually been a big loss of members in many countries. Nevertheless, a certain overall governance has been maintained in spite of the decentralisation trends (Andersen 2001).

In their book from 1992, *Industrial Relations in the New Europe*, Ferner & Hyman used the expression "centrally co-ordinated decentralisation" to describe this trend. It is interesting in this context that the Danish employer organisations which are organised in DA have named their overall strategy - such as it has been implemented in connection with a number bargaining rounds - co-ordinated decentralisation. In the newest edition of the book from 1998, *Changing Industrial Relations in Europe*, Ferner & Hyman stress that co-ordinated decentralisation has turned out to be a decisive trend in Europe.

"Decentralisation has largely taken the form of controlled and co-ordinated devolution of functions from higher to lower levels of the system; this has strong parallels - possibly not altogether accidental - with the widespread pattern of co-ordinated devolution of managerial responsibilities that has taken place within large corporations in recent years." (Ferner & Hyman 1998, p. xvi)[1]

In his book from 1995, *Organized Industrial Relations in Europe: What Future?*, Franz Traxler uses a third designation for the same process. He distinguishes between *disorganised decentralisation* and *organised decentralisation*. It is only in a few of the western countries analysed in the book that the development of the IR-system has also taken the form of a process where it is not only a matter of decentralisation, i.e. a shift of collective bargaining from the multi-industry to the single-industry level, but where a deregulation has taken place, i.e. where legislation and/or collective agreements have been replaced by pure market regulation, and a disorganisation, i.e. a continuous weakening of the collective organisations on both the employer and the employee side. Such a disorganisation has taken place in countries such as the UK and the USA. But most continental European countries, such as, for instance, Germany and Denmark, have been characterised by a process of organised decentralisation. It has been a matter of processes where bargaining competence and regulation possibilities have been relocated from the national main organisation level to the sector organisation level, or where the agreements have opened up for flexibility in accordance with special local/regional conditions. Finally, it may take the form of the conclusion of enterprise-specific agreements. It is a common feature of these processes that they have been initiated at the central level and that a certain co-ordination of bargaining activities continues to take place from this level.

> "The common property of this subgroup of countries is that bargaining tasks have been deliberately delegated to lower level associations in a way that

[1] In the two books by Ferner & Hyman the chapters about Denmark have been written by Steen Scheuer. Although he does not use the same concepts as we do, the ananalyses describe - in the main lines - the same development as we have demonstrated (Scheuer 1992, 1998).

> does not eliminate co-ordinating control by the higher-order associations over the bargaining process at lower levels." (Traxler 1995, p. 7).

Here co-ordination is a keyword - and thus the idea of the continued existence of a controlling centre - as the centrally placed organisations delegate bargaining competence to lower level units without losing the co-ordinating control in connection with these decentralisation processes (Andersen 2001).

In addition to this understanding of centralised decentralisation or organised decentralisation as a delegation of decision-making competence subject to continued central control, we have in our use of the concept centralised decentralisation added a further point. This will be seen, for instance, when we talk about the fact that centralised decentralisation will require that the core of the central bargaining system, the right to conclude collective agreements, is also delegated to the lower level when bargaining tasks are decentralised. This means that it is not only a matter of delegation of decision-making competence, but - in a certain sense - also a delegation of the structure or main characteristics of the central bargaining system. In a Danish context, we have been talking about the efforts that are made to try to reproduce - at the local level - the consensus-based bargaining system at the central level (Due et al. 1993, 1994). Although it was not until after we had ourselves "invented" the concept centralised decentralisation that we found out that it had actually been used for the first time in the urban sociology of the Chicago school in the 1920s, there was an amazing similarity between our use of the concept and the way it was used by the Chicago school. Here the concept is used to describe a city's development process where new independent units emerge which - on a smaller scale - reproduce the characteristic features of the original city core (Park and Burgess 1925, quoted from Madge 1962). Andersen has expressed this in the way that with centralised decentralisation in the IR-system we are operating with the idea that "… a form of *duplication and reprinting in a smaller scale* takes place of the existing hierarchical management model with a view to the management of smaller units." (Andersen 2001, p. 169).

When we talk about centralised decentralisation this describes a process where there is still a certain central control - in spite of the decentralisation of competence - and where the most important principles in the central bargaining system have also been delegated to the local level in connection with the decentralisation. This it the reason why we have briefly mentioned the signs of a new crisis in the Danish organisation and bargaining system and have put forward the thesis that centralised decentralisation is perhaps in a process of being undermined and replaced by a form of multi-level regulation.

Now it can be said - as we have emphasised earlier - that both centralised regulation and centralised decentralisation take place within a multi-level system which means that there is also regulation at several different levels. In the

context of organised decentralisation, Traxler also used the expression "multi-level bargaining systems".

> "… the fact that one bargaining level increases in importance does not necessarily mean that it takes place on the cost of other levels, as the case of organized decentralization also demonstrates. This ensues from the complex interplay of manifold bargaining issues, multi-level bargaining systems and the interdependencies among bargaining agents, which opens manifold options for distributing bargaining tasks among the different levels and actors." (Traxler 1995, p. 9).

But Traxler, nevertheless, maintains that there is in this context still an overall control or co-ordination taking place from the central level, i.e. the idea of a co-ordinating centre at the central level.

Hence, when we talk about a possible transition from centralised decentralisation to multi-level regulation, this should not be taken to mean that it is a new thing that regulation takes place as different levels. The decisive factor is which level will be the most important level in a given situation; it also means that there are not necessarily major structural common features among the bargaining systems at the different levels. In this way, this is a parallel to the idea of the governance approach of a more ad hoc-oriented network governance system at the horizontal level as an important element, also in the regulation of industrial relations. There is a line between these ideas and our picture of the development of labour market regulation. In this perspective, we are operating with a continuum of networks from loose, ad hoc networks at one end of the continuum to permanent, exclusive networks at the other end. It is a matter of interaction between vertical and horizontal connections where the most important aspect is perhaps the combination of and the balance between the horizontal and vertical levels (Andersen 2001, Mailand 2001).

Towards multi-level regulation?

During the second part of the 1990s, the Danish system of organisations and collective bargaining experienced a serious crisis. The first signs were the internal conflicts on the employer side which could be seen in connection with the bargaining round in 1995 and which led to the discontinuance of the timing in the bargaining rounds, i.e. the system with virtually all collective agreements on the Danish labour market being negotiated at the same time every second year. The culmination was the large-scale industrial dispute and the political intervention in the bargaining process in the spring of 1998. The problem was that the new form of centralised decentralisation which had been built up in the 1980s and 1990s to solve the crisis of the centralised regulation in the 1970s no longer seemed to be able to ensure tenable compromises. Without changes in the bal-

ance between centralisation and decentralisation - both horizontally and vertically - the perspective was that also the next bargaining round in year 2000 might end up with a major dispute, i.e. a return to the situation in the 1970s where a dispute in 1973 was followed by three political interventions in 1975, 1977 and 1979.[2]

As briefly mentioned above, the lack of balance was, *in the first instance,* caused by the relationship between *the sector level and the main organisation level* where there was a clear struggle for power between the old main organisations and the big sector organisations. This was particularly evident on the employer side where the new big industrial association, DI (the Confederation of Danish Industries) became so big that it could actually dictate the terms for all other organisations. The member organisations could agree on a reduction in the powers and resources of the central management of DA, but when it came to the actual bargaining process, internal disputes very soon developed. DI surely wished to reduce the powers of DA, but DI also wished to maintain a certain central co-ordination based on the idea that it was the negotiations of DI with the opposite sector federation on the LO side, CO-industri, which were to set the norm for all the other sectors. This looked like a dictate which the other employer organisations found it difficult to be give in to. Things went wrong in 1995 when the transport sector broke up with co-ordinated centralisation and concluded an agreement against the will of DI. In order to avoid losing face by concluding an agreement on the same lines, DI persuaded CO-industry to conclude a collective agreement which was to run for a 3-year period. This led to the bargaining process getting out of step not only within DA's own ranks, but also in relation to the other bargaining fields on the private labour market and in the public sector.

This meant that - instead of collective bargaining taking place for the entire labour market every second year - bargaining has now been spread so that there will each year be sectors which will be renegotiating their collective agreements. It has not since been possible to restore the pace in relation to other sectors. This is an indicator of the fact that the traditional LO/DA field no longer has the same dominating position as it used to have. The pace of bargaining in the LO/DA field was restored only after hard efforts in year 2000. The effect of a spread bargaining process in a rather small and transparent labour market strongly characterised by an equality ideology as the Danish labour market has been a sort of lever effect which has, as a naturally process, lifted the improvements obtained in one field to the next where further results have been added and so on. This probably means that the increases in costs have been bigger than they would otherwise have been and this is one of the reasons why

[2] The following description is based upon our chapters about Denmark in the ETUI Handbook about collective bargaining in a number of European countries (Due et al. 1997, 1998, 1999, Madsen et. al. 2000).

there has been agreement within DA that the pace of the negotiations should be restored, at least internally.

If we disregard the organisation and person oriented power game which has certainly had a certain importance, there are also more objective structural conditions underlying the schism between the main organisation level and the sector organisation level. One of them concerns wage systems where it has not been possible for DI and the other organisations covered by the flexible wage system to persuade the last fields with the traditional centrally agreed so-called "normal wage system" to decentralise decisions concerning the wage formation. This applies, in particular, to the above-mentioned transport sector, but about 16 per cent of the total LO/DA are still not having an enterprise-based wage system. This lack of synchronism in the decentralisation process among some of the sectors within the LO/DA fields generates problems as the wage increases for a rather big group are fixed at the central level in connection with collective bargaining and there is a risk that this may have a rub-off effect to other fields and this could undermine the system of local bargaining.

The problems between the central levels may also be attributed to the fact that the process of structural reforms has never been completed. It has not been possible to create effective sector federations in all fields. If we disregard the special conditions in the public sector, it is only in the industrial sector of the private sector labour market that the reform has been completed with the establishment of DI and CO-industri. Actually, it is only on the employer side that the step has been fully taken with the establishment of a single federation. CO-industry is merely a bargaining cartel, which is composed of a number of independent unions. CO-industry has certainly turned out to be able to act effectively, but the same cannot be said about the other cartels in LO. Likewise, it has only been possible to amalgamate some of the organisations in the industrial sector on the employer side. This deficient organisational centralisation process at sector level has an undermining effect on centralised decentralisation as this form of regulation was intended to function when the employers embarked upon the structural reform in 1989. And this is perhaps the main cause of the problems between the two central levels.

But it is not only in connection with the horizontal decentralisation/centralisation process that problems have turned up. The lack of balance was - *in the second instance* - to be found in the relationship between *the central level and the enterprise level*. It was difficult to come up with solutions which, at the same time, produced so visible results at the central level that it was possible to obtain the acceptance by the members and also left sufficient room for manoeuvre for local wage bargaining without the total level of increases in costs reaching a level which would be considered irresponsible for national economy reasons, i.e. detrimental to the competitiveness. With decentralised decentralisation it is, in most fields, about 1/3 that is being distributed by central wage bargaining while the remaining 2/3 have been left for local bar-

gaining at enterprise level. But the members' opinion through ballots and the organisations' possibility of resorting to industrial action are still tied up with the central agreement. With the means left for central distribution in connection with an ordinary extension of an agreement for a term of 2 years, it is difficult to make the result sufficiently attractive for the members to vote yes.

This line of reasoning is based on the implicit acceptance of the two sides of an overall incomes policy characterised by wage moderation and this is where the relation between the labour market parties and the political system comes in - *as a third factor*. It was still the old joint declaration from 1987, which committed the parties to their responsibility in relation to the incomes policy. There seems to be a need for a renewal of the tripartite ties.

It turned out that the above-mentioned balance problems could be tackled so successfully that it was possible to reach a compromise in 2000, which involved, among other things, a prolongation of the currency of collective agreements to four years. The question is whether this has led to the development of a new form of centralised decentralisation which makes it possible to ensure the regulation of industrial relations or whether we are heading for a form of multi-level regulation in which there is no longer a centre in the regulation system. The more recent trends which we will demonstrate in a number of fields do not seem to give any unambiguous answer to this question. This may perhaps in itself be seen as reflecting a multi-level regulation system.

Compromises with perspectives

In the light of the circumstances leading to the events in 1998, the labour market parties were very attentive towards any danger signals before the 2000 bargaining rounds. There was a strong shared concern about the future of the Danish bargaining model and thus consensus that the bargaining rounds 2000 should be used to demonstrate that the parties were still able to solve the problems on the labour market. The aim was to obtain a compromise, which could remove the crisis signals.

In September 1999, DA and LO concluded the so-called "climate agreement" which turned out to control the entire bargaining process in 2000 and further turned out to be the factor which was to bring LO and DA - and thus the Danish bargaining model - back on the right track. The collective bargaining process 2000 took place in a peaceful climate which was all the way characterised by the two sides' common interest in ensuring a compromise which would be accepted by the members.

The internal problems on the employer side were solved or, at least, neutralised during the period up to the bargaining rounds in 2000. The by-laws of DA were changed so that no single organisation could have a majority in any body under DA. This was an important symbolic signal that there are limits as to how dominating a position the sector organisation DI can hold.

It became clear already in the course of the autumn of 1999 what was needed for arriving at a solution. The demand for an extension of the holiday period had become increasingly widespread during the bargaining round in 1998 and had been further strengthened since then, for instance in connection with the compromises early in 1999 in the public sector and in the field of agriculture and forestry. The 6th holiday week had thus become a more or less ultimate demand and also an acceleration of the development of the labour market pension scheme so that the target of 9 per cent would come within reach or even be reached. But it was also evident that it would not be possible to satisfy both demands within the ordinary 2-year agreement period. This further illustrated the problem with the balance between the central and the decentralised level. The members would not accept a compromise without an extension of the holiday period by one week. But such a compromise could not be contained within the funds which were available in connection with the centralised bargaining about a 2-year agreement. This is why it was also discussed during an early phase of the process whether a longer agreement period might be the solution, which would restore the balance.

With the two parties in the industrial sector taking the lead, a compromise was reached on the lines described above. This means that it was possible to create a better balance between both the main organisation level and the sector organisation level in the central bargaining system and between the central level and the local level. But it was difficult to transfer this trend-setting compromise to fields which did not have wage systems with local wage bargaining. It was only after very difficult negotiations and a strong pressure on the organisations in this field that the two sides succeeded in reaching a compromise also in the so-called "normal wage" sector so that the whole bargaining round could end up in a linking together of the compromises in a single ballot through the Public Conciliation Service.

The collective bargaining round in 2000 thus led to a preliminary solution to the crisis which had emerged after the big industrial dispute in 1998. But it is an open question whether this has led to a more long-term tenable solution to the problems of the bargaining system. There are still a number of unsolved problems which may constitute a threat to future bargaining. In addition to the lack of balance between the two big wage fields, the two sides have still not completed the structural reform which was initiated by DA and LO in 1989. There is still a lack of clarification as to the scope of central co-ordination and how it should be implemented; this means that the creation of a new power balance between the sector organisations and the main organisations is not yet a reality. And, in addition, the relations between the labour market parties and the political system have not yet been clarified.

Tripartite negotiations

The relations between the parties at the central level and the political level continues to be characterised by a number of problems. The development seems to be characterised by ad hoc solutions with sudden situation-based shift between a close interaction between the labour market parties and the political system and the absence of involvement of the parties in political decisions of major importance for the labour market regulation. By way of example, DA and LO obtained a decisive influence on the tripartite negotiations about a new labour market reform in the autumn of 1998. That took place by presenting the politicians with a fully finished proposal. But, later the same year, the labour market parties were given no influence at all on the reform of the early retirement scheme. This reform was implemented exclusively as a compromise between the political parties in the Folketing (the Danish parliament).

The labour market reform acted as a spur, especially to LO, and at the LO congress in November 1999 an ambitious welfare programme was presented. The aim was to promote a policy, which would give the labour market parties a bigger responsibility and thus more influence on important welfare issues in both the labour market policy field and the social policy field. Although this programme was adopted - after some turbulence - it has turned out to be difficult to implement it, partly due to scepticism on the part of some of LO's own member organisations and partly due to opposition on the part of the employers. But, to a certain extent, it is interesting for the Government and the Folketing to involve the labour market parties in a broader context. This has, for instance, been the case in connection with the implementation and administration of the so-called flex jobs and jobs on special terms where the organisations have obtained representation in the local co-ordination committees which have been set up for the purpose of creating a more inclusive labour market. But the politicians are ambivalent. It may be a good idea to share the responsibility with the labour market parties, but it is a problem if this means too much influence to these parties.

The employers are also ambivalent. In September 1999, DA signed the so-called "climate agreement" which was an element of the bargaining round in 2000 and which proposed a closer co-operation not only with LO, but also with the Government, concerning a sensible incomes policy strategy. But DA - and maybe, in particular, some of the most important member organisations of DA - have a sceptical attitude towards a more active political involvement which may make the employer side almost directly responsible for the welfare policy which has been designed by the Social Democratic Party. This scepticism may probably only be overcome if the alternative seems to be worse than participation and assuming responsibility. This means that the tripartite situation is characterised by being reactive rather than proactive. And it is exactly a more proactive line, which is the main objective of LO.

In connection with the establishment of a more inclusive labour market, LO made a big effort to ensure that persons employed in flex jobs and jobs on special terms were given the same rights as ordinary employees and that they should be members of unemployment insurance funds (and trade unions) as other employees working under standard terms of employment. No agreement could be reached with DA on this issue and LO then went for a political solution in an alliance with the Government thus bypassing DA. It turned out that the Government was not able to deliver the product. This demonstrated the fact that if the main organisations are unable to come up with a result, which will solve the problems on which the political focus is directed, they will not have any political influence. It is a basic principle of the Danish bargaining model in the broadest sense that the labour market parties commit themselves to reaching agreement between them and do not give in to the temptation of obtaining easy gains by entering into a political alliance. This is the only way in which they can obtain a more long-term influence on broader aspects of labour market and welfare policy issues, i.e. issues reaching beyond their direct field of competence which is the regulation of pay and working conditions.

It still seems to be an open question whether the political system is interested in implementing a form of an extended tripartite system which is strongly advocated by LO and also whether DA will support the line set out by LO. In this context, the question about the relationship between the main organisations and the sector organisations pops up again because it may be a problem for the sector organisations - which wish to take over the position of the main organisations, to a varying extent - to accept this form of an extended tripartite institution which will actually strengthen the position of the main organisations. This is probably a major reason for the reluctance on the part of DA. The daily management of DA is being closely monitored by its member organisations.

Examples of multi-level regulation

Although the crisis in 1998 seemed to have been solved with the compromise in year 2000 which opened up for many new perspectives, we still find that it is relevant to maintain the thesis that the Danish collective bargaining system is moving away from centralised decentralisation to a form of multi-level regulation. We are of the opinion that the above analysis has demonstrated that it will be difficult to maintain a system of centralised decentralisation with a strong controlling centre in the overall regulation system. Below we will come up with additional examples of the trends in the direction of multi-level regulation.

Working time flexibility in the private sector. During the 1990s, the agreements in the LO/DA field have considerably extended the possibilities for a more flexible working time organisation in the individual enterprises. This has been a demand on the part on the employers in connection with central bargaining, but when such measures have been implemented, it has perhaps more been because

it has been a matter of an established practice which has developed at lower levels. The employees and the employee representatives in the individual enterprises have accepted the more flexible schemes and have very often introduced new informal rules which have been in conflict with the rigid working time rules laid down in the collective agreements. This has taken place through the conclusion of the so-called "closet agreements" which are in conflict with the terms laid down in the collective agreement - typically as regards overtime and other working time rules. Respectively, 27 and 24 per cent of the employee representatives in the two biggest unions in the trend-setting industrial sector, Dansk Metal (The Union of Metal Workers in Denmark) and SiD (the General Workers' Union) affirm that they have concluded such closet agreements (Strøby Jensen et al. 1998).

As a paradox, there are also examples of employee representatives in a number of enterprises who are strongly protesting when CO-industry meets the demands of the employers and in doing so is often just formalising an informal practice. There are also examples of cases where the closet agreements are actually in compliance with centrally fixed rules which the two parties at the local level are not aware of (Navrbjerg 1999). But this does not change the fact that these closet agreements can be seen as an expression of an alliance between the two parties at enterprise level. Such alliances will emerge in the light of modern management strategies and the ensuing new forms of work organisation and they will - if necessary - oppose the parties at the central level and establish their own local regulation system which may subsequently be spread to other fields and gradually change the agreements concluded at the central level. It could be said in this context that the on-going process of changes which characterises many enterprises in both the private and public sector is probably requiring a certain degree of bottom-up regulation, i.e. a sort of multi-level regulation.

Wage reform in the public sector. With the bargaining rounds in 1997. a wage reform was introduced in the two main fields of the public sectors (counties/municipalities and state). This means that a new more locally-based pay system is right now being implemented which - in addition to the centrally fixed increases in the so-called "normal pay" - also opens up for the possibility of the conclusion - at the level of county and municipal administrations and state enterprises - of agreements concerning wage supplements based on special functions, qualifications and performance. This could be compared with the traditional minimal pay system in the industrial sector and could thus be seen as an expression of centralised decentralisation. This also means that there is an express clause in the central agreement which provides that local wage supplements may only be granted on the basis of agreements concluded between the parties at the local level. Thus the delegation of competence has included the right to conclude agreements - which is the core of the Danish bargaining system. However, studies (which have not yet been published) of the implementa-

tion of the new wage system in the counties and municipalities seem to suggest that it is difficult to implement this duplication of the central bargaining system at the local level (Andersen 2001); one of the reasons is that the right to conclude collective agreements should not only be seen as a legal and political instrument. If competence to conclude agreements is to function at the local level, this requires the development of a bargaining culture which corresponds to the culture at the central level. Some elements of the centralised decentralisation - as we have defined it - will thus, in a Danish context, imply a reproduction, at the local level, of the consensus-based bargaining conditions at the central level (Due et al. 1993, 1994). If no such reproduction takes place, the long-term development trend may very well be an individualisation of the wage formation process instead of the establishment of a locally-based collective bargaining system. And if this is the case - and the right to conclude collective agreements is then actually suspended - it will, no longer, be a matter of centralised decentralisation, but exactly a form of multi-level regulation of wages in the public sector.

The third labour market reform and the early retirement scheme. When we look upon the relations between the bargaining system and the political system there are - as mentioned above - also trends in the direction of multi-level regulation. At one moment, it is a matter of a form of tripartite regulation with a close involvement of the labour market parties, for instance in connection with the introduction of the third labour market reform. The next moment, it is a matter of a purely political regulation with the exclusion of the same parties - as was the case in connection with the implementation of the early retirement reform. It seems that it depends upon the specific situation whether the labour market parties are involved or not. LO is in favour of an extended tripartite system; DA has a reticent attitude and the same applies to the political system. The above-mentioned "climate agreement" which had been implemented prior to the collective bargaining rounds in 2000 may certainly be seen as a sort of strengthening in terms of incomes policy - a sort of renewal of the joint declaration from 1987 - but it is still an agreement which has been concluded in a specific situational context. With the compromise in the spring of 2000, the main organisations have committed themselves to a renewal of the agreement. But it is still an open question how the relations will develop during the coming year - which may be the year when a new right-wing government takes over. The traditional regulation with the involvement of the labour market parties in all issues with a direct bearing on the bargaining system and the labour market policy is not a thing which should be taken for granted. The future may see a system of an increasing use of multi-level regulation as the cost of regulation determined by the consensus principle according to which the main organisations first reach an agreement which is then transposed into legislation, to the extent required.

Implementation of EU directives. The relatively new international labour market regulation system is perhaps the strongest signal of the development of multi-level regulation. This is where the Danish bargaining model will be seriously challenged.

With the conclusion of collective agreements in 2000, the two parties may have ensured the balance between the main organisations and the sector organisations at the central level, on the one hand, and the local enterprise level, on the other hand. But the balance in relation to the international level may turn out to be a bigger problem. This is mainly in relation to the European Union - and it should be born in mind that this is not only a matter of a new international political level which has to be dealt with - it is also the building of a new organisational and bargaining system at EU level. This opens up for a network of new relations crossing political levels and bargaining levels nationally, internationally (among the actors in the individual countries) and transnationally (at EU level); that is multi-level regulation.

In Denmark, the labour market parties have generally considered it to be a pre-requisite for the preservation of the Danish bargaining model that it is possible to implement EU directives in the field of employment relations in the form of conclusion of collective agreements. If supplementary legislation has to be introduced on a large scale due to the requirement that all persons must be covered by the political directives, the result will be a shift of the balance between collective agreements and legislation in the Danish model. This will reduce the influence of the labour market parties and the trade unions will be facing the risk of losing members. Why would a person be a member of a trade union if his/her rights were already guaranteed by legislation?

This possibility of implementation of directives by conclusion of collective agreement has been threatened by the EU Commission's letter of formal notice to the Danish Government in which it questions the Danish implementation of the Working Time Directive through collective agreements. The Government has sent its reply and it is still an open question whether the case will be brought before the European Court of Justice. If this happens and Denmark loses the case, this could very well be the death-blow to the system. This would quickly lead to radical changes in the Danish labour market model in its present form with the main emphasis on collective bargaining in the direction of labour market regulation based more on legislation. This is, at any rate, how the two big main organisations, LO and DA, see the situation.

There is thus a general conception that the development at the international level will - at the national level - lead to a shift in the balance between the political level and the level of the labour market parties. But this could perhaps also be seen as a result of the fact that it is exactly these organisations which find it difficult to adapt to a system characterised by multi-level regulation in-

stead of centralised decentralisation where LO and DA and their big member organisations formed the centre of the regulation system. It seems that there will be a new balance and a different mix between the self-regulation system of the labour market parties and the political regulation. This will imply bigger requirements as to the ability of the labour market parties to reach the necessary compromises if they are to maintain their influence and thus secure the survival of the Danish bargaining model in a new environment.

But, as the situation looks in the spring of 2001, there is a strong feeling that no steps will hardly be taken in the foreseeable future to introduce new forms of "hard law" EU regulation, whether in the form of directives or agreements between the social partners at the European level. As a consequence of the Nice Treaty, which did not lead to a major breakthrough for majority voting in a number of social and labour market policy fields, it is the more "soft" regulation forms which are now on the agenda in the European Union. The so-called *open co-ordination method* was introduced in the employment policy field with the Amsterdam Treaty and at the Lisbon Summit it was extended to the social and labour market policy field. This method implies that the Governments through the Council commit themselves to co-ordinate their measures in these fields (Art. 126, II). This is followed-up in the form of a procedure with annual guidelines for national action and annual reports from the Member States about the action taken to follow the recommendations. These reports are evaluated by a permanent committee of high-ranking national officials and by the Commission and this work may lead to proposals to the Council for new specific recommendations. This is a form of co-ordination which also implies multi-level regulation, but which is more in concord with the Danish bargaining model as it does not question special national procedures and methods.

"These rules provide for multilevel and recursive processes of joint problem analyses and goal setting, self-commitment and self-evaluation, combined with common monitoring and central benchmarking capacities. Such arrangements appear plausible if it is assumed that member states see themselves pursuing parallel, rather than conflicting goals, but also prefer to remain free in defining and adopting their own measures for reaching this goal - presumably because national conditions are so different or politically salient that uniform solutions could not be effective or politically acceptable." (Scharpf 2000).

Scharpf is discussing "open co-ordination" in a research paper in which he emphasises that the European Union and the Member States have developed into "a multi-level polity" and can thus not be analysed exhaustively by using simple imaginations which see the development solely in the light of the relations between national states (the "intergovernmental" perspective) or as the emergence of a sovereign supranational regulation which corresponds to the national political systems (the "supranational" perspective). Scharpf is trying to catch the "multi-level institutional configuration" of European politics by setting up a

number of concepts which represent "different modes of multi-level interaction". This is, on the one hand, "mutual adjustment" which remains at the national level and, on the other hand, the following forms which express an institutionalised interaction at European level: "intergovernmental negotiations", "joint discussions" and "hierarchical direction". "Open co-ordination" is seen as a new form of interaction which is placed between "mutual adjustment" and "intergovernmental negotiations". With these concepts Scharpf is trying to catch the vertical relations between the European and the national political levels. He stresses that these concepts should therefore be supplemented by other "lower level concepts" which can be used for an analysis of the horizontal relations, i.e. which focus upon "structures and processes of interest intermediation and on the political interactions between governmental actors at both levels and their constituencies." (Scharpf 2000).

It is in this context that the development in labour market regulation in Denmark should be seen. Through the development of an international regulation level it will be more and more characterised by and form part of a network of multi-level relations with both national and international actors.

Summary

All these examples can be seen as a sign of a labour market regulation, which can probably no longer adequately be described by the concept of centralised decentralisation. Nor is it a matter of disorganisation or deregulation, but rather a network based ad hoc form of regulation. The question is then whether the Danish bargaining model in its present form will survive this development? This will, at any rate, be a serious test for the self-regulation principle of the labour market parties - as it is normally defined. In some cases, the parties will obtain more influence and importance, for instance when they are involved in the development and implementation of social policy initiatives and with their representation in local social co-ordination committees which are to ensure a more inclusive labour market. In other cases, they will be overtaken by more direct political regulation, for instance in connection with the implementation of EU Directives where it may be tempting for one of parties to promote their own interests in relation to the political system rather than first trying to reach a compromise with the other party within the framework of the bargaining system. The biggest challenge will probably come from the new international regulation level which it will perhaps not be possible to incorporate directly into the Danish bargaining system.

It should be emphasised that the self-regulation of the parties is not a static thing. As we have seen, it has always been a matter of a mix between agreements and legislation. And self-regulation has functioned in a form of balance between agreements and legislation. Multi-level regulation may result in a new mix and this will change the balance; this means that the two parties will

have to adapt themselves to the new situation and to develop new relations if the balance is to be restored within the framework of this new mix.

Seen in a network perspective, the *thesis* could be proposed that the optimal regulation of the labour market does not take place with the labour market parties' self-regulation alone, but through a close interaction between these parties and the political system. This has actually always been the case if we examine the history of labour market regulation as we have done above. And seen in this light, there has been a high degree of continuity in the development. The new thing is that the relevance of this thesis seems to increase with the transition from decentralisation to multi-level regulation.

There are clear signs of continuing shifting and simultaneous centralisation and decentralisation processes within the overall labour market regulation system. But it looks as if it will be difficult to maintain a form of centralised decentralisation under which there will still be a strong controlling centre in the regulation system. This means that a number of important regulation initiatives can be expected, both at the local level, at the central bargaining levels, at the national political level and at the international level. The question of which levels will be the most important will depend upon the changing situations which will put labour market regulation under pressure.

In Denmark, the centre of labour market regulation has, during the last few decades, been located between the sector organisation level and the main organisation level. There has already been a certain shift in relation to the more marked centre at the level of the main organisations during the period of centralised regulation up to the end of the 1970s. The development in the direction of multi-level regulation will probably also imply that it will not be possible to have the same strong central control as now. More room must necessarily be given for independent local regulation and it can hardly be avoided that there will be initiatives from the political level and, not least, from the international level which will narrow down the room for the labour market parties' possibilities for self-regulation.

But it may be possible to maintain a certain form for control and thus influence on the direction of the overall development. But the question is whether the centre from which such restricted central control can be exercised will most likely be moved to the political level or perhaps to a place somewhere between the political level and the bargaining system. No definite reply can be given to this question, but one thing is certain. If the member organisations and top executives in the main organisations, LO and DA, fail to reach agreement on the full implementation of structural reforms, both in terms of organisational structure and power structure, and fail to arrive at compromises about vital questions in connection with labour market regulation, then their possibilities for obtaining influence will probably be seriously diminished in the future.

The core of the problem is perhaps still the same as it has been for decades: the lack of success in securing a balance between the sector level and the

level of the main organisations. The interesting feature of the development is also here that it is a matter of trends towards both decentralisation and centralisation and this is also why this task cannot be done by the sector organisations alone. If for instance DI still finds that it is necessary to ensure an overall coordination of the regulation of pay and working conditions, then this must take place through a concentration of these issues at the level of the main organisations. An if the labour market parties are to obtain influence in relation to the attempts of the national political system to influence the development, then this will also require interaction at the level of the main organisations. This must also be considered to be a prerequisite in relation to the cases of international regulation in the form of legislation or agreements which can still be expected in the future.

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