

11. ENGLISH SUMMARY: THE DANISH MODEL AT LOCAL AND REGIONAL LEVEL - CONSENSUS AND CO-OPERATION IN LABOUR MARKET POLICY NETWORKS

The focus in this doctoral thesis is partly on consensus – or its absence – in local and regional tripartite bodies linked to public employment services and vocational training institutions, and partly on the nature and scope of co-operation between the different actors on Denmark's regional and local labour market. The primary aim is to determine the scope of the consensus and co-operation, while identifying the factors that promote – or impede – such developments. A further aim is to determine whether there are regional variances in this area. With regard to theory, the project is based primarily on different forms of network theory (social networks, policy networks, industrial networks etc.). Among the issues addressed in this thesis are: the role played by interests and power in the consensus process; the significance of other forms of governance in co-operation between the labour-market parties (e.g. self-organising networks); the role of interpersonal relations; and the extent – and causes – of regional differences in labour-market consensus and self-organising networks.

11.1 Introduction

The recurring rounds of collective bargaining conducted between the labour-market parties on pay and working conditions, covering the majority of Danish employees, have for many years served as one of the most important arenas for the resolution of conflicts of interests in Danish society. The collective bargaining process has at the same time fulfilled an essential prior requirement for the overall pattern of political and socio-economic development in Denmark throughout the 20th century, including the development of the welfare state. This *collective bargaining-based regulation* forms the core of the Danish Model.

Though the Danish Model also has some elements of *statutory regulation*, the labour-market parties are closely involved at the drafting stage, in commissions, advisory bodies, councils and committees. Moreover, they are involved in implementation of the relevant legislation. A consensus principle has thus emerged, whereby implementation of legislative measures on the labour market presupposes agreement between the organisations involved. This principle also applies to any major amendments to administrative practices. (Due et al. 1997, p.1)

Though the model's basic principles retain their validity, the model itself has undergone sweeping changes in recent years. There has been a trend towards *decentralisation* of regulation, which has inevitably diminished the role of the bargaining conducted at central (nationwide) level, while increasing the importance of regulation at regional and local levels. The decentralisation that now alters the Danish Model's mode of functioning – following in the wake of market globalisation, technological innovation and new political and administrative paradigms – is evident both in the collective bargaining system and in statutory regulation.

In the collective bargaining process, decentralisation is reflected in the emergence of collective agreements where the framework is negotiated at national level, while the details are agreed by the parties at workplace level. This two-tier form is also gaining ground in statutory regulation, where so-called “goals and framework legislation” is now the dominant form. As a result of this development, local and regional labour-market councils and committees are no longer solely administrative bodies; now they also have a policy-formulating role. There is, however, no justification for suggesting that the central level has become superfluous.

Whereas the decentralised collective agreements and other forms of regulation of pay and working conditions at workplace level are generating increasing interest in interdisciplinary studies of employment/industrial relations (e.g. Ferner & Hyman 1992; Crouch & Traxler 1994; Ibsen & Stamhus 1994; Due et al. 1993; Scheuer 1997; Navrbjerg 1999) less attention has been paid to the numerous local and regional tripartite bodies, where the labour-market parties and regional/municipal employers are represented.

There is ample justification for studying this particular component of the Danish Model - i.e. the boards, councils, commissions and committees, often referred to as regional and local tripartite bodies. They merit closer attention, not just because of their growing number and the greater competence delegated to them since the early 1990s, but also on account of other development trends.

The first trend is towards a greater emphasis on statutory regulation, especially of labour-market policy, although this does not imply any lesser role for agreement-based regulation. In particular, there is a growing emphasis on the so-called “active” policy element, i.e. job allocation (regional employment offices), retraining schemes, activation of the unemployed, etc. The focus on labour-market policy can be attributed to several factors. First, there are very real constraints on the use of other policy instruments, resulting from internationalisation of the economy and economic co-operation within the framework of the EU, making it far more difficult - if not

impossible - to exploit traditional financial- and monetary policy measures. Further, incomes policy now plays a more subdued role, as since the mid-1980s most trade unions and bargaining cartels have recognised the need for pay restraint, to enable Danish enterprises to retain their competitiveness. (Due et al. 1997, p. 5).

Another factor adding to the importance of labour-market policy is the growing emphasis on innovation, lifelong learning, qualifications and training, which are often presented as tools capable of equipping individuals, enterprises, organisations, regions and nations to face current and future challenges. Both in academic and political circles, competitiveness is now regarded as a question of creating an innovative environment, raising the level of workforce qualifications, increasing flexibility and introducing incentive schemes, rather than as a question of reducing factor costs. In this context a vital role is assigned to labour-market policy, along with measures adopted under industrial- and social policies.

The higher priority accorded to activation of the unemployed is a third factor explaining the sharper focus on labour-market policy. The unemployed - especially the longterm unemployed - are no longer to be neglected; they are now being compelled to do something to retain benefit entitlement. A broad consensus has emerged among politicians, employer associations and the trade union movement that activation (workfare) is both desirable and useful. These advocates present activation as a universal remedy, capable of combating marginalisation and of raising the qualifications of the unemployed so that they can meet employer requirements, while at the same time identifying the unemployed who - for various reasons - have no real interest in getting a job.

In Denmark, the tripartite bodies that have achieved the greatest measure of influence are the *regional labour-market councils* (referred to as RARs, the Danish acronym), which provide the political leadership for the *regional employment offices* (referred to as AF). Since the coming into force of the 1994 labour-market reform, the regional labour-market councils have been assigned a policy-formulating role in regional labour-market policy, within the framework defined by the National Labour Market Council and the Ministry of Labour. In practice this means that the regional councils are to nominate some of the target groups for activation measures and to design an activation package, using predefined tools. Each of the regional councils is linked to a regional employment office, whose function is to monitor the (regional) labour market and to implement "ordinary" measures, i.e. matching job vacancies with job-seekers and implementing the regional labour-market policy as formulated by the regional labour-

market council. The regional employment office is assigned a co-ordinating role in relation to the other actors on the regional labour market (Larsen et al. 1996).

In the field of education/training policy, a greater measure of decisionmaking competence has been delegated to tripartite bodies, in particular to the boards of the Vocational Schools and the Labour Market Course Centres (AMU centres). In every Danish region there are several vocational schools - both technical schools and trade schools. The vocational schools and course centres are governed by a multi-representational board appointed in accordance with guidelines issued by the Ministry of Labour. A principal or director is responsible for the daily leadership. The overall system covering the regional labour-market councils and the regional employment offices makes increasing use of courses conducted at vocational schools and course centres as an activation tool.

Obviously, this increased competence imposes demands on the local and regional labour-market tripartite bodies and the associated organisations. The question is to what extent they have proved capable of meeting these demands.

The conclusion reached in a number of evaluation reports (Larsen et al. 1996a; 1996b; Haahr & Winter 1996; Winter & PLS Consult 1995) is that they have achieved the adopted goal: the regional councils have succeeded in functioning as policy-formulating organs for the regional employment offices, revealing a broad measure of consensus. The authors of the reports also conclude that co-operation between the councils/employment offices and the training institutions is regarded by the actors themselves as satisfactory (despite difficulties caused by market governance), and that co-operation between the training institutions is assessed as having improved since the introduction of the 1994 Labour Market Reform. The valuation reports are based on the assumption that if the actors reach a joint understanding of the goals to be achieved, and if diverging interests do not preclude agreement, then improved labour-market policy is the probable outcome. The same assumption has also been applied in this thesis.

Despite their scope, the evaluation reports fail to address a number of questions related to processes at work within – and between – these labour-market tripartite bodies. Some of these questions are treated in this thesis: the role played by interests and power in the consensus process; the significance of other forms of governance in co-operation between the labour-market parties (e.g. self-organising networks); the role of interpersonal relations; and the extent – and causes – of regional differences in labour-market consensus and self-organising networks.

The analysis is conducted at several levels. The decentralisation of labour-market policy has not been restricted to a transfer of competence from one level to another; it has transferred competence from one actor at a specific level to several actors at another level. Thus it will not suffice to focus on internal relations in the tripartite bodies (at intra-organisational level). The interplay between these bodies (the inter-organisational level) must also be given due consideration. Further, there is a need for an analysis of the (employer/trade union) organisations' regional resources. The overarching research issues addressed are:

To what extent are the regional labour-market policy networks' relations co-operation-oriented? What factors promote and inhibit this orientation?

This issue is treated under a number of sub-questions, related to the three levels:

- 1) To what extent are the decisionmaking processes in the tripartite bodies characterised by consensus, and to what extent do differences in interests and power prevent the actors from reaching consensus?
- 2) To what extent are relations between the tripartite bodies characterised by network governance, and to what extent do hierarchies (in this case, state governance) and markets impede this form of governance?
- 3) What role do interpersonal relations play in consensus-building and network governance?
- 4) What regional differences – if any - are there in the patterns of consensus and network governance? What role is played by the single region's industrial-economic history in this context?

11.2 Method

The thesis challenges a number of more or less widely held assumptions in the literature on methodology. First, attention is drawn to the simple – but often ignored – fact that case studies need not be exclusively qualitative; they can also be quantitative. Second, different methods are demonstrated whereby advantages can be derived from eliminating the conventional distinction between qualitative and quantitative methods. Finally, questions are raised with regard to the unity or homogeneity of the cases selected for case studies. The cases presented in the thesis are analysed to demonstrate that a case can have several layers or levels.

The thesis is qualitatively oriented, though quantitative methodology plays a role, insofar as the qualitative data are quantified. The emphasis on qualitative methodology and methods can be attributed primarily to the fact that qualitative methodology is more suitable than questionnaire-based or textual analyses when studying problem-formulation issues focusing on consensus and network governance. Semi-structured interviews have been used, though this method too poses some problems with regard to the validity of the data, as there is no guarantee that the respondent is truthful. The author considered triangulation as a means of rectifying this deficiency, by incorporating document analyses of the minutes of meetings and the observations of participants. But the minutes of the meetings turned out to be of little

value in this context, and were thus rejected as a source. The observations of participants in the meetings were also rejected, as compiling and processing them would take too much time. A semi-structured interview form has been applied, as it makes it possible to quantify the data, while also providing an opportunity for follow-up and improvisation. 69 regional representatives were interviewed.

The case-study approach – a multi-case study rather than a single-case study - was adopted because it enables the researcher to acquire in-depth, context-dependent knowledge of the factors studied. The multi-case approach allows the researcher to draw comparisons between the selected cases. The three regions constitute “maximum variation cases”, on account of the wide differences in significant background variables. The selected type of case study is especially suitable for an assessment of the significance of background variables in the single cases.

The information obtained by using the method described above is presented to the reader as a combination of summing-up and discussion, interview replies/responses, simple quantification of the replies, the use of quotes from the interviews, and – to a limited extent – analyses of legislative provisions, publications issued by the relevant organisations and secondary literature.

11.3 Theories

A wide range of theoretical approaches can be adopted when studying local and regional labour-market tripartite bodies, including the predominantly Anglo-American *Industrial Relations* approach (e.g. Clegg 1976; Sisson 1987; Ferner & Hyman 1992; Due et al. 1993). But this approach focuses on the regulation of enterprises’ internal matters, such as pay and working conditions, and touches only lightly upon the regulation of the enterprises’ external environment, the area to which active labour-market policy belongs. Another relevant approach is *the sociology of organisations* (e.g. Scott 1995; Meyer & Rowan 1991; Powell & DiMaggio 1991). But this approach also poses a problem, as it fails to pay adequate attention to the broader society of which the organisations form a part.

Instead, the thesis is based on a third theoretical orientation: *network theory*. In fact, recent network theories incorporate social context in the analyses. Moreover, network theory captures the complexity that exists in the field of labour-market policy. Labour-market policy – as designed and applied in Denmark – requires co-ordination between many actors. This perception of governance as a complex and fragmented phenomenon is at the very core of network theories.

Each of the selected network theories is linked to one of the specific levels treated in the thesis: the region, the organisation and the single person.

Policy Network - organisations

Though the social sciences offer various theories covering networks, the *policy network* approach has been selected, for the obvious reason that the study concerns labour-market *policy* organisations. This approach is linked to political sociology, organisational sociology and the study of public administration, which analyses political decisionmaking processes and tends to focus on organisations than rather than on persons.

The policy-network approach is represented primarily by the British politologist R.A.W. Rhodes (Rhodes 1986; 1997; Rhodes & March 1992a; 1992b), who has devised a model for policy networks centring on inter-organisational relations. In Rhodes's view, a policy network is limited to a specific policy area and provides a number of actors with privileged influence on political decisionmaking processes and implementation in this policy area. The network is held together by the dependence of the actors on the same resources. There are two types of network: a *policy community* is exclusive and permanent; fundamental values are shared by all the actors; everyone has *resources* (though some have more than others); everyone gains from participation and all the actors accept the outcome. *Consensus* outweighs *conflict*. An *issue network* is temporary, focusing on a single case, and has several actors. *Power* and resources are less evenly distributed, and conflicts and withdrawals occur with greater frequency.

The policy network approach is also represented by the German politologist Fritz W. Scharpf. Scharpf (1993) operates with three sub-divisions of governance forms: *hierarchical governance*, where state hierarchies govern via legislation; *market governance*, where allocation is left to the market forces; and *governance in self-organised networks*, where the actors themselves conduct the bargaining/negotiating and communicate with a view to reaching a result. The emphasis on the significance of hierarchical governance is made clear in the assertion that networks always exist in the shadow of hierarchies.

Scharpf examines the extent to which networks can serve as an alternative to hierarchical governance by applying the concepts of positive and negative co-ordination, two mechanisms that work within the hierarchical structure but which can also work within networks. *Positive co-ordination* is taken to refer to the co-operation between the many actors, where they exploit one another's resources, whereas *negative co-ordination* refers to the "clearing" conducted between a smaller number of actors, with a view to reducing the level of complexity and avoiding overlapping. Both of these forms of governance can function under a hierarchy, where the steps taken are co-ordinated by a central actor. The question is how these forms function in the absence of a hierarchy, i.e. under a self-organising network, where mutual confidence is the glue. In Scharpf's opinion, this question merits further study, as hierarchical governance always involves the risk of inefficiency. Scharpf argues that self-organising networks are difficult, and emerge mainly in two situations: when relations have the character of a plus-sum game, and when interaction is so frequent that it breeds a large measure of interdependence and vulnerability.

Societal networks - regions

In this context another form of network theory merits consideration: *societal network theory*, which focuses on whole societies rather than on sectors. This theory is of particular relevance to this thesis, as it treats the region as a macro-social entity. The approach is represented primarily by Charles *Sabel*, an American sociologist, who has re-introduced the concept of *industrial districts* (Piore & Sabel 1984; Sabel 1989; 1993), consisting of local and regional networks centring on industry, but involving all spheres of society. One of the characteristics of industrial districts is the history-based institutionalisation of trust and co-operation. This *institutionalised trust* is one key factor adduced to explain the global dominance of these districts in specific products.

The approach applied in this thesis is also represented by Robert D. *Putnam*, an American politologist. Putnam (1993) directs – as does Sabel – a sharp empirical focus on Italy and a theoretical focus on networks and trust-based co-operation at regional level. But Putnam differs from Sabel insofar as he regards democracy rather than the economy as a dependent variable and by choosing rational choice – and not values and norms – as the basis for his argument. Moreover, in Putnam's understanding trust is an element in the *social capital* concept. Social capital consists of trust, norms for reciprocity and networks of “civicness”.

Interpersonal networks - persons

The third network-approach applied in the thesis is a fusion of two different approaches, both of which focus on persons as nodes in a network. The first of these approaches is *social network analysis*, represented by a number of American and British researchers who regard the network as a structure linking persons, where the status of the individual is determined by his *position* in the *structure*, i.e. the network.

The second interpersonal approach is based on the bargaining theory adduced by *Due & Madsen* (1996) two Danish researchers, who argue that the determining factor is the role of persons as *persons*, not the specific position of such persons in the structures or in the actual process. *Trust* is also an important concept in the argumentation presented by Due & Madsen, who regard it as a prior requirement for *informal relations*. Their main thesis is that informal relations are necessary for the conclusion of agreements between organisations with clearly defined, diverging *interests*, partly because the negotiators representing the diverging interests aim to conduct consensus-based negotiations rather than a conflict-based sequence. The tension between the consensus-seeking strategy and the diverging interests adds difficulties to the negotiating process, and it is at this juncture that informal relations can help to ease the situation.

11.4 Definitions and hypotheses

Policy network studies form the theoretical core of the thesis. With regard to the Rhodes and Scharpf approaches, it can be held that each serves its purpose. Rhodes's policy- network model provides the framework for the thesis, partly because the basic interpretation of local and regional labour-market policy is based on his model, and partly because the thesis examines most of the components of the policy-network model: interests, resources and power, conflict and consensus.

For the purposes of this thesis, *interests* are taken to mean subjective interests (as declared by the actors). *Power* is taken to mean direct power (A gets B to do something that B would not otherwise have done) and "non-decisionmaking" (A excludes specific factors from the decisionmaking arena). In this interpretation the power of the actors is based primarily on the actors' asymmetrical access to *resources*.

The resources taken into consideration are the size of the apparatus at the disposal of the single organisation, the time made available to the representatives, legitimacy, and the consequences of withdrawal from the bargaining/negotiating process and the negotiators' terms of employment.

The term *conflict* is used to describe decisionmaking processes where agreement has not been achieved. This can be caused by a divergence of interests or by other factors. The result of conflict-based decisionmaking processes is disagreement and rounds of voting. *Consensus* is used to describe decisionmaking processes where agreement is reached, on account of coinciding interests, a political *quid pro quo*, an imbalance in power or other factors. The result of consensus-based decisionmaking processes is agreement and compromises.

The Rhodes model fails, however, to state whether the causality is between, on the one hand, interests, resources and power or, on the other hand, between consensus and conflict. The Rhodes understanding is thus considered in the context of analyses with a more direct focus on the labour market – i.e. analyses incorporating these factors (Westenholtz & Christensen 1997, Larsen et al. 1996a; 1996b; Haahr & Winter 1996; Winter & PLS Consult 1995; Rainbird 1990; Cawson 1985). Against this background the author presents a number of hypotheses related to the first sub-question referred to above:

Hypothesis 1): there is an extensive concurrence of interests between the local and regional actors, as a consequence of the fact that the content of the relevant labour-market policy (allocation, employment measures and qualification measures) can be perceived as a plus-sum game, while local and regional actors have less difficulty than the central actors in reaching agreement.

Hypothesis 2): despite the concurrence of interests, some of the local and regional actors attach a greater weighting to some parts of the content of active labour-market policy than others.

Hypothesis 3): despite the concurrence of interests, in tripartite bodies there is an uneven balance of power between the actors, which leads to the emergence of a dominant axis. The imbalance is caused by the asymmetrical access to resources.

Hypothesis 4): the political decisionmaking processes are consensus-based, as a consequence of a) the extensive concurrence of interests in policy output, b) the greater ease with which the local and regional actors achieve agreement, as compared with the actors at central level, and c) the non-decisionmaking of the dominant axes (i.e. the exclusion of alternative policies).

Whereas concepts such as interests, resources and power, conflict and consensus are of greatest relevance in the context of relations within the tripartite bodies (i.e. at the intra-organisational level), Scharpfs concepts – market governance, hierarchical governance and network governance - are more applicable to relations between the bodies (i.e. at inter-organisational level).

Network governance constitutes a form of horizontal governance in which the actors themselves draft, negotiate and conclude agreements or co-operate on the basis of positive or negative co-ordination. *Market governance* is horizontal governance based on the market mechanism and competition, where the actors may well be unknown to one another, while *state governance* is a form of vertical governance, where a superior body (the uppermost level of the political administrative system) dictates – via legislation or other means – political processes or policy output.

Scharpfs interpretation is extended by the incorporation of the labour-market studies referred to above (Larsen et al. 1996a; 1996b), so as to formulate the following hypotheses covering the second sub-question:

Hypothesis 5): network governance is negatively influenced by state governance, as network governance is dependent upon the commitment and motivation of the key individuals, which can be undermined by the state governance.

Hypothesis 6): network governance is negatively influenced by state governance, insofar as the actors – from the outset – act primarily on the basis of self-interest and are placed in a competitive situation which can breed opportunist behaviour rather than trust-based co-operation.

The theories of interpersonal relations are of the greatest relevance in the context of the third perspective in the thesis – i.e. the interpersonal relations. Due & Madsen concur with Scharpf,

Sabel and Putnam in emphasising the significance of trust as a prior requirement for co-operation. In Due & Madsen the focus is primarily on trust in the context of informal relations, where trust is an essential dimension. *Trust* is defined, for the purposes of this thesis, as the belief that other actors do not display opportunist behaviour. Trust underpins network governance and informal relations.

Hypothesis 7): interpersonal relations promote both consensus and network governance, as interpersonal relations provide an improved and more rapid flow of information, make the decisionmaking processes more flexible and identify areas of conflict and potential co-operation.

The theories on societal networks are useful primarily with regard to the fourth perspective presented in the thesis – regional differentiation. Putnam and – in particular - Sabel are drawn on to formulate the following hypotheses:

Hypothesis 8): the regions' different industrial-economic history may help to explain regional differences in trust-based co-operation and thus in consensus and network governance in active labour-market policy, as a consequence of the fact that the different industrial-economic histories have – to a varying extent – institutionalised trust and promoted norms for co-operation.

11.5 The development of local and regional tripartite bodies

The local and regional organisations engaged in active labour-market policy in Denmark have developed over a period of many years. Some of their distinctive characteristics can be traced to the establishment phase of these organisations, in some cases to the end of the 19th century. Labour-market policy can be roughly divided into three types of intervention: placement measures, aimed at matching job vacancies with job-seekers; qualification measures, where employees' qualifications are adapted to meet the demands and needs of the employers; and job-creation measures, designed to cope with the problem of unemployment (Jørgensen 1986, p. 77). Together these measures constitute the active part of labour-market policy treated in this thesis. The placement and job-creation measures are linked primarily to the public employment service, while the qualification measures are implemented primarily at educational/training institutions.

The public employment service and the related tripartite bodies

Unemployment benefit and public employment services existed already in the 19th century, albeit with little co-ordination. But until the late 1950s these labour-market measures must be

perceived as an appendage to social policy (Brüniche-Olsen 1996, p. 92). The two policy areas remained interwoven until the 1960s, when social policy measures concentrated on persons who find it impossible to sell their labour on a permanent basis, whereas labour-market policy focused on employees whose unemployment was temporary. One of the first major steps taken under labour-market policy was the creation in 1969 of a state public employment service, referred to in Danish as *AF*. *AF* was divided into 14 regional services, which took over the labour exchange function hitherto carried out by the unemployment benefit funds, and were delegated a number of ancillary functions such as monitoring the local and regional labour market and employment counselling.

The development of active labour-market policy in Denmark reveals a pattern of continuity, provisional changes and permanent changes. There is *continuity* in according a priority to the labour supply component, as the measures have focused on imposing demands on the single employee, whereas no demands have been imposed on the single employer. Continuity is also evident in the criticism levelled against *AF* since its formation in 1969, the main complaint being that it has failed to fulfil its role as a supplier of ordinary labour.

Among the *provisional changes* are changes in the allocation of the three main categories of measures. It can be argued that the allocation is determined – to a large extent – by the political and economic structures. During the period 1960-1973, the main focus was on employment service measures; in 1974-1984 on job-creation; in 1985-1993 again on the employment service; and since the 1994 labour market reform on measures related to employee qualifications. Governments led by the Social Democrats have been more willing to implement job-creation measures than have centrist/rightwing governments, though the latter have accorded a high priority to ordinary labour-market measures, while economic crises have served as an incentive to have job-creation measures implemented.

Among the provisional changes are also the competences delegated to, respectively, the corporatist and politico-administrative bodies. The inclusion of the labour-market parties in corporatist arrangements in Denmark has been extended during several periods in the 1980s and early 1990s, both in the form of involvement in drafting legislation and in permanent tripartite bodies at local and regional levels. The outstanding example at local and regional levels is the upgrading of the Regional Labour Market Boards (RANs) to the status of Regional Labour Market Councils (RARs), which have now been given decisionmaking competence. Initially it might seem that tripartite co-operation has – over time – acquired a more prominent role, but this interpretation is hardly tenable, as a) in the 1980s the centrist/rightwing government decorporatised labour-market policy, b) the incorporation of the labour-market parties in the drafting of legislation under governments led by the Social Democrats shows no consistent pattern in the 1980s, and c) towards the end of the 1990s there is again evidence of a trend towards decorporatisation of the preliminary work on legislation (Due et al. 1997; Munk Christensen 1998). If there is any justification for referring to a

permanent change in active labour-market policy, it exists in the growing significance of the role played by the local and regional bodies. But developments in the latter half of the 1990s make this interpretation less tenable.

Education/training institutions and the related tripartite bodies

The main training institutions involved in Denmark's active labour-market policy are the technical schools and the labour-market course centres (AMUs), both of which types of institution are linked to tripartite bodies.

The first technical schools in Denmark were founded in the 1870s. Between 1870 and 1930, local craft guilds were to the fore in establishing 340 technical schools in different parts of Denmark. These schools offered a wide range of subjects, including – from the turn of the century – courses in engineering as a supplement to the training leading to qualification as a skilled employee (Kristensen & Høbner 1994, pp. 10-11).

In 1937 the involvement of the labour-market parties – the so-called “labour-market self-governance” (*det faglige selvstyre*) - was consolidated as a governance model. This labour-market self-governance was conducted via the “labour-market committees”, in which the parties were entitled to a majority of the seats, while the remaining seats were occupied by state representatives. The labour-market committees cover specific branches/sectors, and with a majority of two-thirds can reach decisions on a wide range of issues pertaining to courses for trainees/apprentices (Nielsen 1993, p. 28).

The labour-market course centres – the AMUs – were established at a later date. Their establishment was triggered by the economic upturn in the late 1950s and the 1960s, which brought about a growing demand for (trained) labour. The relatively high pay earned by unskilled employees meant that a smaller percentage of industrial employees than hitherto felt inclined to undergo the training required to be classified as skilled employees. But although work in Danish industry was still largely a matter of routine functions, a certain amount of training was required. With the aim of promoting this training, the Act on Training for Unskilled Employees was passed (*ibid.* p. 31), leading to the establishment of schools for semi-skilled employees (*specialarbejderskoler*), as the AMU centres were originally designated.

Initially, the training consisted of a number of courses, each of 1-2 weeks in duration, usually conducted in daytime and entitling the participant to a course certificate which was valid nationwide. In recent years, however, the centres have also introduced the so-called “specially planned inter-related sequences”, consisting mainly of a packaging of a number of short courses to form an aggregate course taking up to one year. These packages are intended primarily for the unemployed (Arbejdsmarkedsstyrelsen 1997, p. 10). The governance of the AMU centres was modelled on the governance of the technical schools, but the AMU centres

are under the Ministry of Labour, whereas the technical schools are under the Ministry of Education.

In the 1980s and 1990s, the 85 remaining technical schools and the 24 AMU centres have undergone sweeping changes. First, the governance of both types of school has been decentralised, so that the state governance has become less important and network- and market governance more important than previously. The content of the courses for the centres and the schools is still determined by the ministries and the labour-market committees (dominated by the labour-market parties) and the further training committees at central level. But since the 1980s the tripartite bodies linked to the single training institutions have acquired a greater measure of competence. Their boards are now responsible for the economy of training institutions, for the range of courses offered, for co-operation with other training institutions and for decisions on the extent to which they are willing to act as suppliers of courses for the unemployed. Moreover, there is now a greater emphasis on market governance, partly because the training institutions are now allocated funding on the basis of the number of students and course-participants (the so-called taxi-meter principle), and partly because the AMU centres can now provide basic technical training courses, and the technical schools – and others – can offer further training courses.

Moreover, the differences between the two types of training have narrowed, one reason being that the demarcation between skilled and unskilled employee is being eroded, while the technical schools can provide AMU courses and the AMU centres can offer basic technical courses. The blurring of the distinction between skilled and unskilled is evident in the range of longer course-sequences at the AMU centres and in the greater role now played by the courses for the unemployed at both types of training institution, partly as a consequence of the higher prioritisation of qualifications as a means of activating the unemployed.

11.6 Interests, power, conflict and consensus

Internal relations in the local and regional tripartite bodies (i.e. the intra-organisational level) have been studied when addressing the first sub-question related to formulation of the problem, by incorporating the perspectives applied in Rhodes's policy-network model. The wording of the first sub-question is: to what extent are the decisionmaking processes in the tripartite bodies characterised by consensus, and to what extent do differences in interests and power prevent the actors from reaching consensus?

The brief answer is that *they are characterised by consensus, although not always, and that differences in interests and power between employee-, employer- and regional/municipal representatives are not among the factors that impede consensus.*

Interests

Firstly, the analysis of the selected tripartite bodies shows that the actors were aware of the collective interests they represented. When meeting the other representatives in the tripartite bodies there was thus no waiving of exogenous interests (i.e. exogenous in relation to the tripartite bodies), even when the meeting implied a moderation of subjective interests and adaptation to the requirements of the institutions to which the specific tripartite body was attached. This finding is supported by the fact that a majority of representatives in *both in RAR/AF and in the training institutions* stated that despite the existence of an overarching common interest in providing training courses leading to qualifications that would meet employer requirements, there is still some divergence of interests – or a difference in emphasis on some points – between the three parties.

In the *training institutions* the divergence in interests – and emphases – created a situation in which the employers advocated the introduction of narrower courses of (job-specific) training without any general-qualification components, were reluctant to allow unemployed employees to constitute a high percentage of the students/participants, focused sharply on issues related to economic aspects of operating the institutions and advocated a relatively hardline personnel policy, e.g. in connection with dismissals. The employee representatives had a more positive attitude to providing courses for the unemployed, were interested in providing general-qualification courses and in providing courses with general-qualification components, were less concerned with economic aspects and advocated a more moderate personnel policy, as they assumed – to the highest possible degree- responsibility for the interests of the employees at the centres and schools. The interests of the regional/municipal representatives consisted partly of an interest in having the courses provided by the labour-market policy training institutions harmonised with the various courses provided by the training institutions for which the regions and municipalities are responsible, and partly of an interest in ensuring that the bodies dominated by the labour-market parties did not extend the scope of their activities beyond a limit regarded by them – as representatives of the politico-administrative system - as reasonable.

In the regional labour-market councils, the differences in interests and emphases proved – as expected – to consist mainly of a greater interest in activation measures on the employer side, and a sharper focus on ordinary employment services (placement) on the employee side. The interests of the regional-municipal representatives were less pronounced, but focused mainly on the training institutions, including co-ordination with other policy areas (education and industrial policies). Moreover, the regional-municipal representatives were also interested in measures related to the ordinary employment services (matching jobs with job-seekers), as the regions and municipalities are employers in the public sector, and thus have an interest in activation, as this is the area that offers the majority of job-training places. Finally, the municipal representatives had an interest in enabling as many recipients of unemployment benefit to retain their entitlement, instead of transferring to social welfare benefits and thus

becoming the liability if the single municipality's own activation system. This may help to explain why some municipal representatives regarded themselves as guarantors for the most vulnerable groups of the unemployed. Hypothesis 1 (there is an extensive concurrence of interests between the local and regional actors) and Hypothesis 2 (despite this concurrence of interests, some of the local and regional actors attach a greater weighting to some parts of the content of active labour-market policy than others) are thus confirmed, both for AF (public employment services) and the training institutions.

Power

Secondly, the findings suggest that the employee representatives, *both in the regional labour-market councils and in the training institutions*, were in the most favourable position, on account of more extensive resources in terms of time, better political schooling, more extensive local and regional organisations and a higher degree of legitimacy. The more favourable position is evident in the fact that the employee representatives dominated the meetings more often than did the employer representatives, and were allowed to treat single cases in the councils, in direct breach of the guidelines drawn up for these bodies. Moreover, in some cases both the employee- and employer representatives managed to withhold issues from the decisionmaking arena, which the regional-municipal representatives wanted to have discussed. This treatment of the agenda amounts to the form of power referred to as non-decisionmaking.

These findings confirm Hypothesis 3 (in tripartite bodies there is an uneven balance of power between the actors, which leads to the emergence of a dominant axis). The imbalance is caused by the asymmetrical access to resources. But the balance of power proved to be undergoing change, as – in particular – the municipal representatives and their organisations to a growing extent prioritised the local and regional labour-market policy tripartite bodies, and their representatives were thereby about to achieve a more prominent role.

Consensus and conflict

Thirdly, the findings show that consensus, *both in the regional labour-market councils and in the training institutions*, was more prominent than conflict, but that the extent of consensus varied from one tripartite body to another. When conflicts arose, they were rarely caused by a divergence of interests between the three parties; rather, they were more often caused by conflicts between the tripartite body and the chief executives of AF (public employment service), or between these executives and AF employees. The existence of tripartite bodies with a high level of conflict, although with consensus playing the dominant role, meant that Hypothesis 4 (the political decision-making processes are characterised by consensus) could be confirmed only with reservations.

11.7 Network governance between the local and regional tripartite bodies

But – as pointed out earlier – an analysis of internal relations in the tripartite bodies is not enough, if the aim is to gain a full understanding of Denmark's local and regional labour-market policy. The inter-organisational level must also be analysed, as indicated in the second sub-question in the problem-formulation: to what extent are relations between the tripartite bodies characterised by network governance and to what extent do state governance and market governance impede network governance?

Drawing primarily on the theoretical approach presented by Scharpf, the answer to this sub-question is that *in most cases network governance in the form of co-operation between the tripartite bodies does not work, though it functions better between the training institutions than between AF and the training institutions. State governance and market governance exert a negative influence on network governance.*

Form and scope of network governance

Network governance consists of inter-organisational co-operation, which was categorised in the study according to its *form*. In most cases, co-operation between AF and the training institutions consisted of reciprocal exchanges of information in permanent bodies. Co-operation between the training institutions consisted of providing joint courses and conducting other activities, joint advertising, the drawing up of joint course material, or joint counselling of applicants for places (positive co-ordination). Or co-operation was practised as protection of one another's core products (courses), with a view to avoiding an excessive supply, cancelled courses and wasted investments in materials, equipment, etc. (negative co-ordination). Estimating the *scope* of network governance *between the training institutions* is complicated by the validity problem, insofar as the training institutions have a statutory obligation to co-operate so as to achieve an optimal utilisation of resources and to provide the best range of courses. In a sense, failure to co-operate is thus illegal, and the representatives would have an obvious incentive to conceal the fact, if real co-operation did not take place. Despite these difficulties, an attempt was made to estimate the scope of network governance. The results revealed differences in the scope and quality of co-operation between the training institutions, varying from institution to institution and from region to region. As the representatives had an incentive to exaggerate the scope of the co-operation, it must be regarded as striking that a majority of these representatives described the co-operation as poor or fair (mixed).

Network governance *between AF and the training institutions* received mainly negative evaluation. Among the criticisms levelled against AF was that it failed to send the promised number of course-participants to the training institutions. At the same time the newly established bodies for meetings between AF and the training institutions are often described as lacking in substance and commitment. This study also revealed regional differences in this co-operation.

This leads to the overall conclusion that the scope of the network governance failed to match the scope of consensus. The existence of large number of co-operation agreements and co-operation bodies under the aegis of the local and regional labour-market policy tripartite bodies did not in all cases amount to evidence of the existence of real or functioning co-operation. In most cases the informal, ad hoc form of co-operation worked better than the formal co-operation in permanent co-operation bodies. There were wide regional differences in the scope and quality of co-operation between AF and the training institutions, and between the training institutions.

The impact of state governance on network governance

The state governance of AF and the regional labour-market policy councils was perceived by the representatives as too rigid or too detailed. It is probable that during the data-collection period state governance had reached a point where it had a numbing effect on the commitment of the representatives. The representatives of the training institutions were also generally sceptical with regard to the state governance, but not to the same extent. Among the factors perceived as positive was the combination of state-and market governance, which is probably attributable to the fact that since the introduction of the so-called taxi-meter system in the early 1990s, the training institutions have had a larger measure of decisionmaking competence. On aggregate, it can be held that Hypothesis 5 (state governance has a negative impact on network governance) has been confirmed.

The impact of market governance on network governance

With regard to the influence of market governance on network governance, it was concluded that market governance is the single most important cause of the difficulties experienced in practising network governance. The findings thus made it possible to confirm Hypothesis 6 (network governance is negatively influenced by market governance). This applies in particular to the use of the so-called taxi-meter system for courses (funding on the basis of student numbers, courses conducted), influencing competition between the training institutions. The findings suggest that market governance tends to outweigh network governance.

Conclusions – the reservations

The conclusions are subject to some reservations. First, some of the co-operation relations have been established at a comparatively recent date, and they may – over time – function satisfactorily. Co-operation is often a learning process that takes time. This applies in particular to the newly established bodies for co-operation between AF and the training institutions. If the role to be played by each of these is clearly defined, the joint bodies may ultimately function better or even successfully. Second, the thesis focuses exclusively on the management level. Co-

operation at ordinary employee level has not been analysed. Third, the conclusions presented here are related primarily to relations as observed during the data-collection period, i.e. from May 1997 until November 1998. State governance has not, however, since then undergone any changes that would alter the conclusions. But it is possible that the new rules for relations between AF and the training institutions, which come into force in 2000 and make AF – and not the training institutions – responsible for funding the training activation schemes, will have an impact on co-operation between these two parties. It is also conceivable that the current negotiations on a reform of adult- and further training will contain measures that create a new framework for co-operation between the training institutions.

11. 8 The significance of interpersonal relations

Consensus and network governance are not solely a matter of relations between organisations and between groupings within the single organisations; they also raise the question of how persons relate to one another – i.e. on a direct person-to-person basis, on the level at which local and regional labour-market policy is implemented. As shown by Due & Madsen, trust and informal relations between key persons are essential in establishing consensus in other parts of the Danish Model. The third sub-question considered whether this also applies to local and regional labour-market policy. This part of the analysis covers both the intra- and inter-organisational levels, as interpersonal relations forge links between the two levels, insofar as the representatives meet one another in several tripartite bodies.

The third sub-questing was worded: what role do interpersonal relations play in consensus and network governance? The findings suggest, that *interpersonal relations promote the establishment and maintenance both of consensus and network governance, though in cases in which such relations are based on a lack of trust, they can impede consensus and network governance.*

Types of social network

Interpersonal relations can cover exchanges of information, and a preliminary airing of ideas or strategies - before they have been formally drafted and submitted for consideration – about establishing co-operation between organisations, about sub-suppliers or about lobbyism.

The representatives can be categorised under three headings, according to the nature of their social network: “the local loner” has a limited number of seats (on boards, committees, councils, etc.) and thus a restricted (relevant) social network; “the local networker” has many seats and an extensive social network; while “the local-national networker” is part of a social network that includes national decision-makers and national decisionmaking bodies. The employers and regional-municipal representatives were over-represented in the local loner category, whereas the

employee-representatives and civil servants were over-represented in the local- and local-national networker categories. The difference in the scope of the employer- and employee (relevant) networks is a part of the imbalance in resources and power between the two groups within the framework of the local and regional labour-market tripartite bodies. In general, interpersonal relations were regarded by the representatives as playing an important role in reaching consensus, especially by the representatives with extensive social networks.

Interpersonal relations based on trust – and on a lack of trust

The results of the analysis confirmed that the existence/absence of mutual trust is the determining factor in interpersonal relations. Hypothesis 7, stating that interpersonal relations play a positive role in establishing consensus and co-operation, was thus also confirmed. In single cases, however, trust-based relations were shown to have a negative aspect, e.g. when unpleasant decisions (such as dismissals) were to be taken, as the representatives pursued a mutual protection strategy.

There were few examples of interpersonal relations based on a lack of trust, but such relations are not easily identifiable in a study of this nature. In several of the cases identified in the study, the consequences were serious, contributing to the lack of consensus and network governance characterising some of the organisations. The findings also showed that interpersonal relations – with or without the element of trust – play a significant role in regional labour-market policy.

11.9 Regional differences in consensus and network governance

As emphasised by Sabel and Putnam, organisations and persons are not isolated entities; they form part of – and are influenced by – regional culture and history. The fourth sub-question was worded: to what extent are there regional differences in consensus and network governance, and what role does the single region's industrial-economic history play in this context?

The brief answer is that *there are wide regional variations in consensus and network governance, but these differences reveal no consistent pattern. The result of differences in the regions' industrial-economic history is that the regions have institutionalised trust and co-operation to a varying extent – a factor that has an impact on regional differences in consensus and network governance.*

The regional differences

The analysis revealed striking regional differences in consensus and network governance. The organisations in *Greater Copenhagen* had the greatest number of examples of tripartite bodies where conflict-based relations were more prominent – or as prominent – as consensus-based relations. On the other hand, *Greater Copenhagen* was the region where co-operation between

the training institutions functioned best, while relations between AF and the training institutions received a mixed rating. The tripartite bodies in *Storstrøms amt*¹ and especially in *Ringkøbing amt* were reported as maintaining a high degree of consensus, while network governance between AF and the training institutions was described by most representatives in the Ringkøbing region as good, whereas in the Storstrøm region it received a mixed rating. Co-operation between the institutions in the Ringkøbing region was given a mixed rating, with the lowest rating for the Storstrøm region. Notwithstanding, the reports confirmed the co-variance between consensus and network governance. Consensus was more widespread than network governance, and the regions where consensus was most prevalent were not in all cases those in which co-operation was most prevalent.

Regional differences – explanatory factors

There are several possible explanations of the regional differences. First, in the Greater Copenhagen region there are many training institutions in a limited geographical area. These institutions have been compelled to co-operate at a very early stage, while the lesser degree of consensus reported for this region may be attributable to a higher degree of politicisation in this same region, insofar as its labour-market policy actors acted, to a larger extent than actors in the other regions, as politicians, and belonged to the local-national networkers category.

The high degree of network governance in the Ringkøbing region, especially as compared with the Storstrøm region, can be viewed in the perspective of the region's economic history, which is characterised by freehold farms, small enterprises, many start-up firms, co-operation between enterprises and between enterprises and politicians. This culture is ideal for consensus-building and network governance.

The Storstrøm region, on the other hand, has been characterised by a small number of large estates, paid work in agriculture and, later, large enterprises. Co-operation between the region's enterprises has been limited, and there have been few start-up firms. This type of culture does not promote network governance, although it cannot be said to preclude consensus-building.

The above results confirm Hypothesis 8 (differences in the regions' industrial-economic history can help to explain the regional differences in trust-based co-operation and thus in consensus and network governance in active labour-market policy). But it is important to note that this norm-oriented explanation of the regional differences is complementary with – and not alternative to – explanations focusing on the significance of the role played by single persons, in the context of the organisational structure of the labour-market policy organisations or with regard to the scope of the problems to be solved with that framework. The analysis does not provide an adequate basis for allocating weightings to the three levels (i.e. regional, organisational and personal) in relation to one another. The analysis had a different objective: to

¹ An *Amt* is an administrative grouping of municipalities, translated variously as *county* or *region*. The 5 million Danes live in 14 such regions. Only three of these have been analysed in this thesis.

draw attention, in the context of labour-market policy, to the often ignored indirect significance of regional co-operation culture against the background of the regions' industrial-economic history in the political processes in labour-market policy. A full understanding of the regional variations thus demands an analysis of the persons (with anchorage in the organisations), of the organisations (with anchorage in the regions) and of the regions themselves.

11.10 Conclusions

Finally, the answers to the sub-questions make it possible to answer the overarching research question: to what extent are relations in the regional labour-market policy networks cooperation-oriented, and what factors promote/impede this orientation?

The answer is that *there is extensive co-operation orientation in the regional labour-market policy networks – more in the form of consensus than in network governance. Differences in interests and power do not substantially impede the orientation towards co-operation, but differences in interests and power between the tripartite bodies and the associated organisations can be an impediment, as can divergences of interests between the management and employees in these organisations. In general, state- and market governance impede co-operation orientation, while interpersonal relations can both promote and impede such orientation.*

Theoretical aspects

Though the primary aim of this theory-based empirical project has been to answer the predominantly empirical questions repeated above, a further aim has been to contribute – via the answers to these questions – to labour-market research and to sociological and politological network studies.

The model used to provide the framework for a theoretical understanding of the thesis is the *Rhodes policy-network model*. The results of the analysis of the data compiled for the thesis show that the local and regional parts of Danish labour-market policy can be perceived as a regionally segmented policy network with some of the characteristics found in Rhodes's policy network: it is closeknit and held together by resource-dependence; its fundamental values are shared by all the actors; all actors have access to resources (though some have more than others): all parties win by participating and accepting the outcome. But the use of the Rhodes model failed to predict the duality between the consensus at intra-organisational level and the absence of co-operation at external level revealed in the analysis presented in this thesis. The explanation is that Rhodes a) treats networks exclusively as inter-organisational networks, and b) presents a model lacking concepts capable of capturing the variations that can exist in each of the two types of policy network - essentially, the relative importance of hierarchical- (state-), market- and network governance. It has thus been

necessary to augment Rhodes's mainly descriptive model, even though it offers a good basic understanding of policy formation, by adding a number of areas so as to apply the model empirically.

The application of the modified Rhodes model in the analysis has yielded a contribution to labour-market research and to network studies. The contribution to labour-market research consists firstly of a modification of the most common perception of labour-market relations in Denmark, as expressed in *The Danish Model* (Due et al. 1993; Due & Madsen 1996). The findings presented in this thesis show that consensus is an essential mechanism in the local and regional statutory-regulated part of the model, as it is in the part regulated via collective agreements. But, as pointed out above, the findings *also* show that it is more difficult to achieve an orientation towards co-operation (network governance) at inter-organisational level. The main explanatory factor is that the fracture lines in local and regional labour-market policy are only to a slight extent aligned with the placing of the actors in the industrial structure (private employer, public-sector employer, employee); instead, they follow the placing of the tripartite bodies and the associated organisations in – or in their dependence on – a ministerial structure, in which the different units are forced to compete with one another.

One of the theoretical implications of this finding for labour-market research is that the Danish Model can also be perceived as a consensus model, also when the focus is on local and regional labour-market policy, but that *it is difficult to achieve an orientation towards co-operation when it is to be practised across competing and partially economically independent entities*. This same factor involves a theoretical implication for policy-network studies, especially for Scharpf. This thesis emphasises that *forms of governance do not operate in isolation, but influence one another*. But the impact of market governance on network governance shows that *networks exist not only "in the shadow of hierarchies", as Scharpf puts it, but also "in the shadow of markets"*. This factor has hitherto been relatively ignored in policy-network studies.

Another theoretical adjustment suggested by the findings of the analysis is an extension of the theory of the Danish Model: *the Danish Model is differentiated along geographical lines*, not only along organisational demarcations in a public-sector part and in a private-sector part, or between a statutory-regulated part and a part regulated via collective agreements. This additional dimension also has implications for the policy-network analysis. The regional differentiation and the demonstrated correlation with the regional industrial-economic history shows that policy-networks too can be differentiated with regard to parameters other than sectors and sub-sectors. There has been a sharper focus on this factor in the societal network analysis. But as this study shows, *policy networks can also be regionally differentiated*.

A third modification of the Danish Model can be effected with regard to the perception of interpersonal relations. The theory's understanding of interpersonal relations is based on trust as the governing principle. Interpersonal relations are thus assigned an exclusively functional

role in relation to the networks: interpersonal relations ensure improved and more rapid communication, provide flexibility in the form of creating opportunities for informal adjustments, and so forth. Only Putnam considers the possibility that interpersonal relations can be dysfunctional, as in his understanding “vertical networks” concern patron-client relations, which – if we apply a democratic political ideal – are not functional. The findings of the thesis confirm that trust-based interpersonal relations play an important role, but they also demonstrate the rather obvious fact that interpersonal relations can also be dysfunctional – and this is true irrespective of whether such relations are based on trust or mistrust. The theoretical implication – both for network studies and the Danish Model – is that interpersonal relations must be analysed not only in the context of measures to boost efficiency, in the form of improved communication and greater flexibility, but that *one of the features of network governance is greater sensitivity to interpersonal relations as compared with other forms of governance*. The advantage of the form of governance in terms of improved efficiency can be reduced or even lost by mistrust-based interpersonal relations, and by interpersonal relations with elements of nepotism.

In addition to these proposals for adjustments to existing theories, the findings of the thesis demonstrate that *a full understanding of local and regional labour-market policy in Denmark requires an analysis at several levels*. There is no justification for assuming that this does not apply to other policy areas and in other countries. This is not to suggest that analyses focusing on a single level are without value. But analyses that are restricted to a single level will have failed to capture the complexity of labour-market policy.

Summary translated by Seán Martin