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**Dynamic neo-corporatism in a grey zone - the interaction between state and social partners in regulating welfare and work in Denmark**

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## **Abstract**

The paper *describes* how the interaction between the state and the social partners has developed in four welfare related policy areas (pensions, activation, continuous training, and maternity/paternity leave) and to what extent the interaction has led to corporatist arrangements. Furthermore, it seeks to *explain* the development in corporatism by discussing various factors that have impacted on the development. The paper contains three main arguments. Firstly, that corporatism continues to play a role in Danish labour market and welfare state regulation, mostly in the form of ad hoc agreements on policy formulation and permanent involvement in implementation within specific policy areas. Secondly, that the division of labour between state and social partners have started to erode and a 'grey zone' has developed, where the state and the social partners have to define new divisions of labour. Thirdly, that this grey zone is one of the drivers of Danish corporatism. Other drivers are the consensus principle of the Danish model; the social partner confederations' search for new sources of legitimacy; the state's need of the social partners for improving implementation; and the pressure on the state budget. External factors, such EU-integration and EMU-criteria, have had a minor impact.

Countries: Denmark

Subjects: Neo-corporatism, grey-zone, pensions, activation, continuous training, paternity/maternity leave

## 1. Introduction

Since the mid-1990s, a number of studies in Industrial Relations research have focused on a re-emergence of ‘neo-corporatism’, ‘social pacts’, ‘concertation’ and ‘social partnerships’ in EU-countries. These studies have shown that, despite of a general weakening of trade unions, tripartite policy co-ordination still has an important role to play in welfare and labour market regulation. Many of these studies have focused on the so-called ‘social pacts’, i.e. ad hoc intra-sectoral agreements containing a political exchange between wage-restraint and policies aiming at employment growth.

In Denmark, there have been no explicit social pacts signed in the 1990s and there is no general tripartite body, such as a ‘Social and Economic Council’s or other bodies for general tripartite dialogue known from a number of other EU-countries. These facts fit well the widespread perception that the state in Denmark has a limited role in labour market regulation – a perception that is true when it comes to the core industrial relation issues of regulating working and employment conditions and pay. However, voluntarism in industrial relations is supplemented by neo-corporatism in areas such as health & safety, active labour market policies, vocational education, continuous training and in later years also pensions and integration of immigrants – areas, many of which are related to welfare as well as to labour market issues.

Denmark is an interesting case mostly because the social partners have lost less power and fewer members during the last 20 years than in most other EU-member states. Trade union density has diminished slightly, but is still around 80 percent, and the employers’ organisations remain relatively strong too. This creates a special context for corporatist arrangements and makes Denmark an extreme case in some regards. It could be expected that the social partners not only will be ‘involved’ by the state, as is often the form of interaction focused on in the literature on corporatism, but also will be able to act proactively in relation to the state. If this paper was written 10 or 15 years ago, Denmark would properly furthermore have been seen as an critical case, in that strong hierarchical organisations were seen as necessity for corporatist arrangement – however, studies of the 1990s have seriously questioned if this is true (see below).

The aim of the paper will be, firstly, to *describe* how the interaction between the state and the social partners has developed and to what extent the interaction has led to corporatist arrangements. This will be done by discussing state-social partners relations in four welfare related policy areas: pensions, activation, continuous training, and maternity/paternity leave. Secondly, the paper will seek to *explain* the development in corporatism by discussing various factors that have impacted on the development. Among other things, it will be discussed to what extent the development in corporatism should be seen in connection to the broadening of the collective bargaining agenda, that now also includes areas traditionally pertaining to welfare policies and legislation.

The paper contains three main arguments. Firstly, that corporatism continues to play a role in Danish labour market and welfare state regulation, mostly in the form of ad hoc agreements on policy formulation and permanent involvement in implementation within specific policy areas. Secondly, that the division of labour between state and social partners have started to erode and a 'grey zone' has developed, where the state and the social partners have to define new divisions of labour. Thirdly, that this grey zone is one of the drivers of Danish corporatism. Other drivers are the consensus principle of the Danish model; the social partner confederations' search for new sources of legitimacy; the state's need of the social partners for improving implementation; and the pressure on the state budget. External factors, such EU-integration and EMU-criteria, have had a minor impact.

The analysis will make use of some of the concepts from the recent debate on corporatism to be presented in the next section. The third section contains the analyses of the relations between state and social partners in the four areas and a comparison of these. The fourth section contains the discussion of the dynamics of Danish corporatism and the fifth the conclusions<sup>1</sup>.

## 2. Theorising neo-corporatism

As a theory corporatism has its origin in the middle of the 1970s. It started out as a reaction to the then dominating pluralistic approaches to the study of relations between state and organised interest. Whereas the pluralistic approaches understood the state as a more or less neutral entity, attempting to mediate between various interest in society having equal opportunity for access to the state, the corporatist theories emphasised that the state was not neutral and that organised interest had unequal opportunities for getting access.

Schmitter was one of the first to define corporatism. He distinguished between (Facist) 'state corporatism' and (democratic) 'liberal corporatism' or 'neo-corporatism', and understood the latter as: *'...a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports'* (Schmitter 1979: 13). Hence, the political exchange in neo-corporatism provides the state with an opportunity to regulate a political area, whereas the organisations are provided with monopoly of representation and an opportunity to influence decision-making. The organisation must therefore not have serious competitors. Following from this, membership of the organisations has to be attractive. Furthermore, to participate the

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<sup>1</sup> The paper relates to the research project 'The Dissolving Boundaries of Collective Agreements and Welfare State Policy', that is part of FAOS' research programme 2004-2009 (see. [www.sociology.ku.dk/faos](http://www.sociology.ku.dk/faos) ).

organisations need to be hierarchically structured and have strong legitimacy and power vis-à-vis their members so that decisions are followed and no doubt is raised about who represents the organisation.

Regarding the content of corporatist arrangement, the studies of the 1970s focused mostly on income policy and wage bargaining. However, during the 1980s the corporatist research started to focus on other political issues as well; to include policy implementation; and to include other levels than the national, for instance the political sector, the economical sector, the region or even the firm. One of the leading researchers from this period defined corporatism as '*a specific socio-political process in which organizations representing monopolistic functional interest engage in political exchange with the state-agencies over public policy outputs involves those organizations in a role that combines interest representation and policy implementation through delegated self-enforcement*' (Cawson 1986: 8).

After the theoretical approach in the late 1980s lost credibility due to the spread of neo-liberalism and withdrawals from corporatist arrangements, the approach had a partial revival in the mid/late 1990s. A number of studies in Industrial Relations research have focused on the re-emergence of 'neo-corporatism', 'social pacts', 'concertation' and 'social partnerships' in EU-countries (Pochet & Fajertag 1997; Traxler 1997; Ebbinghaus & Hassel 1999; Sisson et al. 1999; Grotte & Schmitter 1999; Pochet & Fajertag 2000; Traxler 2000; Bacarro 2003; Sarfati 2003). These studies have shown that, despite of a general weakening of trade unions, tripartite policy co-ordination still has an important role to play in welfare and labour market regulation. The focus has mostly been on national *ad hoc agreements* of two partly overlapping types: The so-called 'social pacts', containing a political exchange between wage-restraint and policies aiming at employment growth; and tripartite welfare and labour market reforms connected to issues such as unemployment benefits, active labour market policies, training, pensions, early retirement and the structure of the collective bargaining system. Often the re-emergence of corporatism has been seen as the EU-countries attempt to fulfil the EMU criteria. Some of these studies (e.g. Schmitter & Grotte 1997; Fajertag & Pochet 1997; 2000; Bacarro 2003) show that tripartism since increasingly is found in countries that do not fulfil the theoretical pre-conditions for tripartist arrangement of having strong and hierarchical organisations in the labour market. Examples of such countries are Ireland, Italy, Spain and Portugal.

The studies of the 1990s contain few attempts to make more general theoretical revisions or model building. One of the few exceptions is *Visser & Hemerijck's* attempt to theorise 'corporatist institutional change'. The corporatist arrangements of the 1990s are according to these authors different from those of the 1970s in that the newer '*supply-side corporatism is narrower and more predicated on generalised trust and consensus, deep within the firms, networks and interest organisations...has to work, if it works at all, in the micro-world of thousands of little negotiations in firms, unions, employers' organisations and public agencies*' (Visser & Hemerijck 1997: 64).

They find two basic analytically distinct properties of corporatism: The ‘degree of institutional integration’ is an expression of the extension to which authorities are devolved to private interest organisations and to bi/tripartite bodies, as well as a demarcation of the policy scope of corporatism, i.e. the domain in which interest organisations are involved. The ‘degree of societal support’ is the degree to which the interest organisations are representative and supportive to the corporatist arrangement. The two dimensions are not correlated with each other, and the societal support tends to fluctuate more than the institutional integration.

The most innovative part of the Visser & Hemerijck’s approach is the dynamic model for corporatist change. Applying the two dimensions of institutional integration and societal support, they construct a dynamic two-by-two model with four types of corporatism (see table 1). The first is ‘innovative corporatism’, i.e. corporatist institution building, that takes place under the circumstances of perceived mutual interests between state and organisations and strong support from the organisations. If sustained, the innovative corporatism might lead into a period of ‘responsive corporatism’, i.e. an institutionalisation of corporatism, where corporatist arrangements, able to deliver flexible adjustments to external challenges, become the routine. To reach this type, a high level of trust and consensus is important. Periods of responsive corporatism will properly - sooner or later – shift to periods where it is not possible to reach agreements on the way forward, since there is no common understanding among the key actors or rank and file on the nature and causes of the problems, and/or because the interest organisations block for reforms. This is called ‘immobile corporatism’. A period of immobile corporatism could, if the problems are successfully solved, lead to new periods of responsive corporatism, or it could lead into the final type, ‘corporatist disengagement’ – a process of unwinding of corporatism. In this situation a return to corporatism has been given up and the future regulation form will be unilateral state regulation.<sup>2</sup>

*Table 1: Visser & Hemerijck’s four types of corporatist governance and change*

	Low degree of societal support	High degree of societal support
High degree of institutional integration	Immobile corporatism	Responsive corporatism
Low degree of institutional integration	Corporatist disengagement	Innovative corporatism

Source: Visser & Hemerijck (1997)

<sup>2</sup> It is noteworthy that Visser & Hemerijck does not mention bipartite forms of regulation as a possible outcome of corporate disengagement. This might be so because they see bipartism too as some form of corporatism.

It is visible from the empirical Dutch examples Visser & Hemerijck use, that their four types of corporatism first and foremost focus on the general inter-sectoral relations between state and social partners. However, the model could also be applied to political sectors. Nevertheless, to find a corporatist approach to support an empirical analysis on a less aggregated level, we turn to *Ebbinghaus*. Excluding unilateral state regulation in his study of social partners' involvement in pension reforms and employment policy across Europe, Ebbinghaus proposes 'four modes of social governance' with social partner involvement from strong to weak state control: 'Consultation' provides the least loss of authority for the state. The government may wish to confer with the social partners or be legally obliged to consult with them, but the government is free to divert from the given opinions and recommendations. In contrast, 'concertation' would entail an agreement between government and social partners, involving some concessions of the government in order to reach a compromise that would bind the government.

*Table 2: Ebbinghaus' four models of social governance with social partner involvement*

	Consultation	Concertation	Self-administration	Self-regulation
Function	Deliberation of SP's view on legislative project	Negotiations of government with SPs	Delegation of partial authority to SPs	Voluntary agreement between SPs
State's role	Consideration of affected interest, but can divert from it	Negotiation with SPs; may offer side payments/threat to intervene	Partial delegation of authority; remains 'principal': sets parameters	Facilitation: <i>erga omnes</i> extension; threat to intervene
Social partners' role	(Joint) opinions, recommendations	Negotiate agreements; enforce compliance of members	Supervision; implementation	Bipartite agreement; implementation
Decision-mode	Majority/minority positions	Voluntary agreement	Majority decision	Voluntary agreement
Potential threat	Voice / exit	Exit	Voice / exit	Exit
Advantage	Deliberation; process legitimacy	Public-private actor coordination; social consensus	Deliberation; process legitimacy	Internalization of costs; self-determination
Problems	Cumbersome; status quo defence; no deal making	Power decides; payments costly; danger of desertion	Status quo defence; lack of competences; bureaucratic	Danger of collusion; narrow interests; state excluded

Source: Ebbinghaus (2002)

While consultation is routinely practised, concertation occurs more on an ad hoc basis. 'Self-administration' is the delegation of some (but not all) decision-

making authority to an independent self-administrated agency that may be more or less independent of the state and may have a bi- or tripartite structure. 'Self-regulation', in contrast, results from voluntary agreements between collective bargaining partners without state interference (Ebbinghaus 2002: 5).

Ebbinghaus' four models will later be used as a framework for a discussion of corporatism in Denmark within four political sectors. However, first the interaction between the state and the social partners will be described area by area.

### **3. The involvement of the social partners in recent Danish welfare policies**

As mentioned in the introduction, Denmark has not been among the countries where governments and social partners signed social pacts during the 1990s and Denmark has never had a permanent general tripartite body as those found in the Netherlands, Austria, Spain and some other EU-countries. However, there have been plenty of other national level tripartite activities. This reflects the so-called Danish model of industrial relations, whose core is a bipartite and relatively centralised system of collective bargaining between strong social partners; but the model contains also a consensus-principle, in which legislation with relation to the labour market is not passed without the agreement of the social partners (Due et al. 1993). Despite of trends towards marketization as well as state-dominations in some policy areas with relation to the labour market (Mailand 2005), Denmark could therefore be said to have both a voluntaristic tradition of industrial relations as well as a neo-corporatist tradition in policy areas related to labour market issues. In a simple actor-centred model of social governance containing only the importance of state/public authorities and organisations, Denmark could be placed as seen in table 3.

*Table 3: Dominant social modes of governance and the Danish case*

	Weak role of state	Strong role of the state
Weak role of organisations	Marketisation	Statism
Strong role of organisations	Voluntarism <i>E.g. industrial relations in Denmark</i>	Neo-corporatism <i>E.g. labour market related policy areas in Denmark</i>

Limiting the focus to the national level and to the formal relations between state and the social partners, tripartite activities in Denmark have combined ad hoc involvement of social partners in relation to new legislation in individual policy area (vocational education, continuous training, working environment, active labour market policy, integration of immigrants, etc.) - as described in the con-



sensus principle – and involvement in permanent tripartite bodies in relation to the implementation of these policies. Furthermore, in 1990s there have been attempts to set-up permanent general tripartite structures and to reach social pact-like agreements. Even though these attempts did not lead to any general tripartite bodies of the scope and scale as those known from a number of other EU-countries, the so-called Tripartite Forum and its affiliated Statistical Committee (see below) did nevertheless play a role for a shorter period in the late 1990s. Finally, it could be argued that even though no explicit social pacts were signed in the 1990s, the so-called tripartite ‘Common Declaration’ from 1987, that prescribed wage-restraints, has been a ‘functional equivalent’ to the social pacts in other countries in the 1990s because it has been internalised to a very high degree in the actions of the key societal actors. The Common Declaration was terminated in 1998, but a new bipartite agreement on wage-restraint was reached the same year in the form of the so-called Negotiation Climate Agreement (‘Klimaafalen’).

With the Common Declaration’s general agreement on wage-restraints and with wages, working and employment conditions nearly solely regulated by collective agreements, remaining issues to establish tripartite dialogues on have mainly been welfare issues. In what follows, the interaction and divisions of labour between the social partners and the state in relation to four welfare areas - pensions, activation, continuous training and family/gender equality - will be discussed ‘chronologically’ in relation to the timing of the most important tri- or bipartite agreements. Even though this sample leaves out important welfare areas such as vocational education, unemployment incurrence as well as large parts of social policy, integration of immigrants, and retirement from the labour market, the four areas represent nevertheless some of the core areas of the Danish welfare state.

### **3.1 Pensions<sup>3</sup>**

The first labour market pension fund was established in 1900 in the formative years of the Danish industrial relations system, but it was not until the 1960s that these forms of funds were developed on a larger scale as a supplement to the general old age pensions. Still, this happened mainly in the public sector and no more than a third of the employees were covered in the 1980s.

The labour movement and the social-democratic party had profit sharing and economic democracy on the agenda in 1970s. This should show to be of importance to the later generalisation of labour market pensions. Elements of co-determination were introduced during the 1970s, but the general project on economic democracy and profit sharing failed because the employers’ associations saw the project on economic democracy as violating the most fundamental basic agreement, going back to the September compromise in 1899, where the em-

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<sup>3</sup> Where nothing else is stated the source of information for this section is Due & Madsen (2003).

employers recognised the role of trade unions in industrial relations, and the trade unions recognised the employment right to manage.

When the debate on labour market pensions began to take off in the 1980s, the employers feared it would become 'economic democracy through the back-door' and were in this connection especially worried about central funds dominated by employee representatives. Therefore, the trade union movement, most importantly The Danish Confederation of Trade Unions (LO) gave up their attempts to establish bipartite consensus with the employers and used unilateral lobbying for legislation in the area instead. They did so even though this 'regime-shopping' was in contradiction with the consensus-principle of the Danish model, which prescribes consensus between the social partners as a necessity for the introduction of new legislation in labour market related areas.

For some time it seemed as if LO's strategy would succeed. After an 'expensive' collective bargaining round in 1987, the centre-right government felt that it was about time to improve competitiveness through an income-policy agreement. This led to a tripartite agreement in the Common Declaration of 1987 where LO committed themselves to wage restraints as an exchange for a commitment from the government to work for an extension of labour market pensions. The agreement was controversial in several ways. There was continuous scepticism about the labour market pensions among the employers and the government itself was divided on the issue. Furthermore, it was the first time that LO made a tripartite agreement with a non-social democratic government, and even more controversially, they did so despite of resistance from the top of the social-democratic party and from some of their member-organisations.

Following the Common Declaration a long sequence of tripartite negotiations and more technical discussions on labour market pensions took place in tripartite committees throughout 1987-88. Among other things, four specific models for the labour market pensions were proposed. They centred around, respectively, the individual wage-owner, the firm-based organisations, the sector-level organisations and the inter-sectoral level. The first model was unacceptable for LO and the last one for The Danish Employers' Confederation (DA). The attempts to reach agreement on how to implement the labour market pensions failed because some social-democratic leaders feared to provide the centre-right government with the electoral gains from such an agreement and because of internal disagreement in the government.

However, the extensive committee work that was done prepared the ground and established consensus for a breakthrough in the collective bargaining round of 1991. In this round of bargaining, the sector federations played a stronger role than in previous negotiations. This - together with the fact that LO finally realised that the labour market pensions would not primarily be introduced by legislation; that DA realised that some kind of labour market pensions would be introduced sooner or later; and that sectoral-based funds was one of the models within reach - led to the break through in 1991. The sectoral pension funds took the form of investment companies with parity and trade union chairmen - a form that also the employers could accept.

The percentage of the employees covered by labour market pensions as well as the percentage of the income paid to the funds has increased during the 1990s. The collective agreements now include payment to the pension fund equal of more than 10 percent of the yearly wage for most groups. In 2003, it was estimated that 92 percent of all employees were covered, but not all of these to the same extent. Most importantly, people that temporarily or permanently are out of employment do not automatically pay to the pension funds. However, the opinion of the social-democratic led government - that came into office in 1992 - was that the problem was minimal, since the aggregated savings from old age pensions, the so-called 'Additional Pension Scheme' ('Arbejdsmarkedets Tillægspension'<sup>4</sup>) and the labour market pensions will provide nearly every pensioner with more than 60 percent of previous income. Referring to these calculations, the social-democratic government found it unnecessary to introduce the additional legislation promised by the previous government, which would have extended the labour market pensions to all groups. Importantly, LO accepted this decision.

Hence, what for a long time seemed to be a regulation with a strong legislative element, ended up as being purely collective agreement based. However, during the process, rounds of tripartite consultations and tripartite work-groups played an important role for a later break through on the issue. In sum, the issue of labour market pensions is an example of a long process where a *grey zone between collective bargaining and legislation slowly developed, but where consensus on a division of labour* between state and social partners has been the outcome. This is not to say that there are no future challenges in relation to the pension issue. The introduction of labour market pensions is meant as a supplement – not an alternative – to the old age pension and the additional pension scheme. But there might be a danger that large labour market pensions funds in the future will lead to a reduction in the old age pension if the demographic development or other developments lead to increased pressure on the public budgets. In such a situation a deterioration of living conditions for those without large labour market pensions can be foreseen (Rold Andersen 1999). The lack of follow-up legislation naturally adds to this potential problem. It is a challenge for the state – and in the end also for taxpayers – to avoid that this situation happens.

### **3.2 Activation**

The development of Danish activation policy started in the 1970s and initially reflected an attempt to respond to the prolonged unemployment crisis. As policy makers began to realise that the crisis was a far from temporary phenomenon, steps were taken to restrict the coverage and level of unemployment protection, and a limited range of active measures, mainly targeting young people, were introduced. However, the Social Democratic government's employment subsidy

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<sup>4</sup> During periods of unemployment or leave the payment to the Additional Pension Scheme is doubled.

and work experience projects made little impact on private employers, so that local authorities soon became the primary employer of activation participants.

The centre-right coalition that came into power in 1982 was less convinced of the value of the activation policy approach and introduced budget cuts, combined with a series of reductions in unemployment benefit levels (Etherington 1998). Within those active measures that were retained, education and training was emphasised over more costly employment subsidy options, for instance through the introduction of the 'educational offer scheme'. Nevertheless, the persistence of the unemployment problem forced activation back on to the political agenda in the late 1980s. Changes in the national and international policy discourse had made it more acceptable to discuss whether the behaviour of the unemployed could be altered by economic incentives and compulsory activation measures. Denmark's first compulsory activation programme, the Youth Allowance Scheme, directed towards social assistance claimants aged 18-19, was introduced in 1990 (Rosdahl & Weise 2000).

Since the set-up of the public employment service in 1969, the social partners have had a say in the formulation and the implementation of it; however, this influence was strengthened in connection with a labour market reform in 1994. The reform was prepared in 1991-92 in a pre-legislative committee, where the social partners had the majority of seats. When formulating the reform, the following social-democratic led government followed the recommendations of the social partners, among them: decentralisation of some responsibilities to regional level, more involvement from social partners, balance between individual and labour market needs, choice between several options in activation. The social partners in the pre-legislative committee also succeeded in blocking a reform of the financing of the unemployment benefit that would have increased the social partners' financial contribution (Mailand & Due 2003).

The labour market reform increased the influence of the social partners by upgrading their competences from consultation to (in connection to some issues) decision-making (concertation) in the Regional Labour Market Councils vis-à-vis the public employment service, and in making the National Labour Market Council advisor to the Minister of Labour. However, already in 1996 a process began that partly re-centralised activation policy and rolled back some of the influence of the social partners. This development has been linked to a number of factors such as: increasing determination of policy measures and target groups by legislation, the absence of new pre-legislative committees with social partner representatives, an increasingly hierarchical relationship between the National and the Regional Labour Market Council, lack of involvement of the National Council in the adjustments of activation policy, adjustments more often to be decided in connection with the annual parliamentary negotiations, that the social partners have difficulties in influencing (Jørgensen & Larsen 2003; Mailand & Due 2003; Winter 2003).

This could indicate a weakening of the social partners' influence on activation policy. However, the picture is blurred by at least two factors: Firstly, a

high level of consensus among the social partners that (despite of the link of reforms and adjustments to the annual budget negotiations) on a number of occasions successfully has been used in consultations and media-debates to influence policy content (Mailand & Due 2003). The strongest example of this was the consultation around the so-called ‘third phase of the labour market reform’ that took place in connection with the attempts to expand tripartite cooperation in 1998-99 in the aforementioned then newly established Tripartite Forum. To the surprise of the government, the social partners managed to agree on all matters on a bipartite basis prior to the actual consultation process, and made *quit-pro-quo* on a further shortening of the maximum benefit period and actions to improve the quality of activation. With support from the opposition parties there was nothing else for the government to do than to accept the deal – with a content they could not disagree with – even though they strongly disliked a process that *de facto* took policy formulation out of their hands (Mailand 2002; Due & Madsen 2005)<sup>5</sup>. What was meant as a process of consultation ended up as concertation. Even though the social partners in the following years did not repeat the process from 1998 they managed to influence adjustments of activation policy through formulating common policy papers and through media debates (Mailand & Due 2003).

Secondly, the fact that the above described institutional set-up of activation policy for insured unemployed from the mid-1990s has been accompanied by a parallel set-up of so-called ‘active social policy’ for uninsured unemployed, containing multipartite consultative bodies on local and national level, as well as ad hoc multipartite consultations on reforms also blur the picture. Even though the level of involvement of social partners for uninsured unemployed does not match that for the insured, this development is important, in that the social partners have not previously had any notable influence on social policy issues.

Simultaneously with the labour market reforms, that mostly, but not exclusively, focus on changing the behaviour of the unemployed (the supply side), attempts were made to get the companies (the demand-side) more involved. The campaign *Our Common Concern – the social responsibility of companies* was launched in 1994 by the Minister of Social Affairs. The campaign, that had earmarked funds for projects, aimed to highlight the role companies can play in social development to promote changes in the attitude towards corporate social responsibility. One of the campaign’s focal points has been to establish cooperation between companies and public authorities. It focused especially on the job retention and subsidised jobs for people with diminished capacity to work (Andersen & Mailand 2002). So-called ‘jobs on special terms and conditions’ (‘skånejob’) for people with reduced capacity to work was introduced in two versions, one administered by the municipalities and one by the social partners through the so-called social chapters of the collective agreements. In theory, this

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<sup>5</sup> The extent to which the social partners actually managed to make a reform, that the government would not have made unilaterally, have been debated (e.g. Winter 2003; Christensen et al. 2004)

could develop into a beautiful division of labour between the state, delivering wage-subsidies, and the social partners, that through the social chapters facilitated the use of subsidised jobs and job-retention for those employees with a reduced capacity to work. However, the collective agreement based jobs on special terms and conditions contain no wage-subsidy and have therefore not been used to any notable extent – in contradiction with the version administered by the municipalities (Hohnen 2002).

The limited role of collective agreements in connection to activation policies reflects a lack of regulation on the demand-side more generally in activation matters (Bredgaard 2004). With the few exception from the public sector, the participation of the companies in the activation policy is purely voluntary, and there are only very occasionally actors that try to change this situation. This does not mean the social partners have no role in policy take-up; however, their role is not to regulate via collective agreements, but to convince their members of the value of activation in the local/regional tri- and multipartite bodies and in the companies.

The liberal-conservative government that came into office in late 2001 has amalgamated the two policy sub-areas under the same ministry (Ministry of Employment). The new government introduced the labour market reform ‘More People Into Work’ that changed the content of the activation policy but emphasised more assistance in job search and to some extent also job training in the private sector, and limited the use of education as an activation tool. Moreover, after the reform social assistance and social insurance clients come under the same legislation and the tri- and multipartite bodies at the central level have been amalgamated. Finally, the reform opened up for increased use of new private actors such as temporary work agencies, private training institutions and consultancies in delivering the activation measures. In many regards the reform was building on plans reform of the previous government and the government managed to get support from both the trade unions’ and the employers’ confederations after initial strong scepticism from the unions’ side during the first round of consultation.

Regarding the steering of the policy, the steps taken in the reform - to set-up a unified system at the local/regional level, possibly following the Dutch one-stop-shop-model, in order to create a more simple system and to increase the role of market-forces and of so-called ‘new actors’ – have been supplemented by a new local authority reform that will give the municipalities more responsibility for activation policy. This might lead to an overall weakening of the position of the social partners, because their influence is less extensive and institutionalised in the municipalities than in the public employment service, and because the not yet implemented reform seems to provide them with a more reactive role focused on supervision of the municipalities’ activities and a less proactive, policy-formulating role. The government has taken these steps despite of strong protests from the social partners as well as the leading opposition parties.

Hence, it could be said that the present liberal-conservative government at the national level continues its predecessors fluctuating involvement of the so-

cial partners that in an international comparative perspective might be strong, but still clearly ensure that government control is not lost. Consultation, rather than concertation, is the norm. At the local-regional, where the influence of the social partners previously might have been at the highest level, the social partners seemingly will be weakened in the near future, but it is too early to judge about the extent to which this will impact the corporatism in this policy area.

### **3.3 Continuous training**

Continuous training in Denmark has to a larger extent than in most other EU-countries been publicly financed and the level of activities – the private sector included – are the highest in the community. The interaction between state and the social partners in continuous training is directly related to the relations in vocational education that have a longer history. In 1937 the role of the social partners was institutionalized when the so-called ‘occupational self-governance’ (‘det faglige selvstyre’) - was consolidated as the governance model. The occupational self-governance has since then been conducted via a large number of national-level tripartite ‘occupational committees’, in which the parties were entitled to a majority of the seats, while the remaining seats were occupied by state representatives; these bodies have had the responsibility of the content of the courses. The occupational committees cover specific branches/sectors, and with a majority of two-thirds can reach decisions on a wide range of issues pertaining to the content of courses for trainees/apprentices (Nielsen 1993: 28).

Continuous training took off when the labour market course centers – the AMUs – were established in the 1960s. 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: 31), leading to the establishment of ‘schools for semi-skilled employees’ (*specialarbejderskoler*), as the AMU centres were originally designated.

During the years, many kinds of continuing training have been developed, some more vocational than others. The numerous shorter as well as longer courses can be divided into vocational adult education and training (in which AMU are one of the cornerstones), general adult education and training and general education (‘folkeoplysning’). The social partners are involved and take an interest in all three areas, but the interest and involvement is at its highest in relation to vocational adult education and training.

The institutional set-up of continuous training has been marked by tripartite bodies on all levels: An *inter-sectoral tripartite council* advising the minister, *sector-based tripartite so-called ‘Further Training Councils’* as well as *boards on the individual schools*. In general, even though the overall design of the

courses remained at the national level, the tripartite boards at the schools have been granted with more and more responsibilities regarding the schools' economy and supply of courses since the late 1980s due to a decentralization of competencies, at the same time as market-simulating ways of steering the schools were introduced.

The latest reform of the continuing training - implemented during the last year of the social-democratic government in 2001 - merged some of these tripartite bodies, but did not fundamentally change the structure. However, as something new the (tripartite) *Board for the Labour Markets Financing of Education and Training* was set-up. As part of the reform's aims to concentrate public finances on the less skilled and on formal or recognized competences and to include more companies in financing the activities, the board was asked to give advice on the total volume of continuous education and financing of the activities and how the different activities should be weighted. If the foreseen activities exceed the budgetary limit, the board has the opportunity to request for additional funding from employers. This could be seen as in line with another tendency to increase the role of the social partners in continuous training, namely the introduction or enlargement of employees' rights to take part in continuous training (Due et al. 2004).

The preparation of the 2001 reform itself took place without the participation of the social partners in the pre-legislative committee that concluded its work in 1999. The committee only included civil servants and researchers; especially among the first of these groups, social partners were in connection to educational policies increasingly being accused of being defenders of yesterday's industrial society and hence an obstacle to implementation of new and modern education schemes (Mandag Morgen 1999). However, the committee's white paper concluded that the involvement of the social partners is necessary, because they represent the users, and therefore know what the new qualification demands are. Because the blueprint of the social partners helps firms and participants in mutually recognising the content of the courses, they are also deemed necessary partners. But, the division of labour between the social partners and the public authorities are said to be 'not appropriate in all cases' (Arbejdsministeriet et al. 1999).

More importantly than this, the white paper was discussed in the then newly established tripartite committee, simply called 'Tripartite Forum' and its affiliated Statistical Committee. These bodies were set-up after the social-democratic led government aired its ambitions to discuss the challenges of the labour market with the social partners in 1998. During the negotiations the social partners agreed on most elements of the reform as proposed in the white paper, including after some time also the guidelines for the Labour Market Financing of Education and Training that later became one of the new features in the reform (Due & Madsen 2005). Hence, what started out as a process the social partners was excluded from, ended up in a concertation process.

After confusingly having cut public expenditure on continuous training and increased it again in 2004, the liberal-conservative governments statements that education, training, research and innovations are the way forward to sustain the com-



petitiveness of Denmark seems to have stabilised. Because the government was busy in winding-up knowledge centres, councils, committees and the like in their first year in office, it came as a surprise to many when the prime minister announced a multipartite - or 'tripartite plus' (government, social partners, researchers) - *Globalisation Council* in early 2005 to discuss actions to meet the challenges from globalisation. Seemingly, the government means business with this council; the prime minister is chairing and the meetings are frequent and long lasting. The council is not connected to a particular resort and are discussing near-future actions rather than administrating existing initiatives. It could be seen as an attempt to establish a special kind of a general tripartite body of which there hardly have been any in the Danish history. However, de facto the council is a think tank where research, education and training make up a great part of what is discussed. In any case, the fact that even a (initially) trade union-sceptic government include the trade unions when the most important future challenges are to be discussed, illustrate the deep-rooted corporatist traditions in Denmark. The council will publish its first report in early 2006.

Moreover, civil servants from a numbers of ministries has since Autumn 2004 prepared an in-dept study of continuous training in Denmark, that will be a starting point for tripartite negotiations in early 2006 on a large-scale reform in the area.

### **3.4 Family and gender equality**

This area contains a number of issues such as equal pay; labour market segregation; childcare facilities; and maternity/paternity leave schemes. Denmark has in general experienced a high level of gender equality that has been facilitated by early female participation in the labour market and affordable childcare facilities. However, the labour market still show a high level of both vertical and horizontal gender segregation, which is also one of the most important reasons for the persisting gender pay gab.

There has been some tripartite cooperation in relation to family and gender, especially in connection to the equal pay question. In the following, however, we will focus on the maternity/paternity leave schemes where some important changes recently have taken place:

The right to take maternity/paternity leave and receive social assistance/social security benefits during the leave is a right for the employees that are secured by legislation. In 1989 the social partners in the public sector added a wage-supplemented to this in order to sustain the wage-level during leave. This so-called 'pay during leave' spread to the private sector in 1995-97, but in a way that the wage-level was not fully sustained.

In 2003 the maximum leave period was extended from half a year to one year and it was flexibilized in several ways; including by improving the possibility of the fathers to take a greater share of the leave period. At the same time the s-called 'childcare leave scheme' was abolished.

The decision to extend the leave period was taken by the government without consultation with the social partners. However, it created a pressure on the social partners to extend the rights to take paid maternity/paternity leave – regu-

lated by collective agreements - in the following collective bargaining round in 2004. This pressure was prior to the bargaining round extended by increasing political pressure to establish a national central maternity/paternity fund to equalise the cost for paid leave between sectors with few female employees and sectors with many. That was supported by both LO and its member-organisations, while DA's largest member organisation Danish Industry already had such a fund; Danish Industry wanted to keep it and feared that a central fund would lead to additional costs for the employers in the manufacturing industry (Due & Madsen 2005).

Under this political pressure and with the assistance of the public conciliator the social partners at confederative level did agree on one common paternity/maternity fund for DA-organised part of the private labour market; the fund was inscribed in the sector-level agreements. The social partners have accepted the government's plan to introduce follow-up legislation for those parts of the labour market that were not covered by collective agreements – a method also used in connection to the implementation of EU-directives. DA's reason for accepting this is avoid unfair competition. The legislation will be come be issued in the Autumn of 2005, that is after the public sector had finalised their 2005 bargaining round.

Like in the case of the labour market pensions, the paternity/maternity area is a clear example of the growing overlap between legislation and collective agreements, but it also differs in several ways: The issue was never discussed in a tripartite forum – the role of the state and the social partners was formally separated. The state nevertheless was very important in framing the social partners' decisions through the extension of the leave period and through more or less explicit pressure to reach an agreement on some kind of funds to equalise pay during leave between or within sectors. Hence, the 'shadow of hierarchy' was much more visible than in the case of the labour market pensions. Moreover, the follow-up legislation that yet have to be introduced, also enlarge the role of the state in this area.

### **3.5 Comparing the areas – any general trends?**

The relations between state and social partners in the four welfare areas show a rather complex pattern:

The relations between government and social partners regarding labour market *pensions* was marked by a period of concertation processes that did produce a window of opportunities in 1988, but not an formal agreement on the issue. The breakthrough took place in the collective bargaining round in 1991. The outcome was that the issue became an object for self-regulation in a pure form in that no follow-up legislation was added. In the end, then, the bipartite self-regulation became dominant to tripartite relations of concertation and consultation.

The grey-zone between legislation and collective agreements in relation to pensions was large, but a clear division of responsibilities has developed where the state is the sole responsible actor for regulating, financing and delivering of

the old age pension as well as The Additional Pension Scheme, whereas the labour market pensions is the sole responsibility of the social partners.

*Activation* is a case where tripartite relations are predominant to bipartite. In relations to policy formulation there are found repeatedly consultations and occasional concertation processes, the latter for instance, planned, in the pre-legislative committee in 1992 and, unplanned, in the third phase of the labour market reform in 1998. In relation to policy implementation there are found permanent consultation processes. With the extension of target groups for activation to also include the uninsured unemployed, the role of social partner have widened, but on the other hand there have been signs of a general weakening in the dept of their involvement during the 1990s, including the lack of tripartite pre-legislative committees.

The grey zone is limited despite of campaigns such as Our Common Concern and the introduction of social chapters and 'jobs on special terms and conditions' in the collective agreements, but the division of responsibilities between the state and the social partners are relatively clear in relation to the partners role in policy take-up. Participation is voluntary and the collective agreements play a minor role; the role of the partners in policy take-up is found in the local/regional bodies connected to the public employment service and the municipalities. Furthermore, the trade unions have got a new role in policy take-up in that they on a large scale deliver activation on a subcontracting basis. However, the division of labour is not clear when it comes to the role of social partners at local/regional level where the not-yet-implemented reform of the municipalities and counties seems to replace the social partners previous pro-active policy formulating role with a more reactive role focused on supervision.

When it comes to the involvement of the social partners in *continuous training*, the pattern is much the same as in activation: consultation and occasional concertation when new legislation is implemented and permanent involvement of the social partners in implementation of the legislation also at the national level. However, the area differs from activation with the set-up of new tripartite bodies: the Board for the Labour Markets Financing of Education and Training and the Globalisation Council.

The area differs also from activation in that the grey-zone between state and social partner 'jurisdictions' is much larger and the division of responsibilities much more in flux than in the case of activation. In the future, the collective agreement (self-regulation) might become more important for regulating the demand for - and financing of - continuous training.

*Maternity/paternity leave* is different from the other three areas in that tripartism have played no role at all. The background for the development of the grey zone in this area was the unilateral decision of the government to expand the leave period from half to one year and the political pressure to established paternity/maternity leave funds were these did not already exist. The social partners succeeded in establishing the funds and to expand pay during leave in the collective bargaining round in 2004: but the political pressure indicate that the outcome was de facto closer to what Ebbinghaus refer to as self-administration

(delegation of authority) than to self-regulation (voluntary agreements). The shadow of hierarchy was so marked that a ‘if you don’t do it, we do we it’-like situation was established with the state as the policy maker and the social partner as the policy takers. With the social partners still frustrated over this process, a division of labour has not been established even though it on the surface might it appears so.

*In sum*, the analyses of the four welfare areas show a complex pattern of relations – as shown in table 4 - where both the type of corporatist arrangements as well as their intensity fluctuates. Regarding the intensity, the analysis above does not provide a clear answer to the question ‘status quo or a more self-assured state’? (Mailand 2002). On the one hand there are tendencies of the governments – no matter their political orientation – to show a great will to act unilaterally, especially when it comes to policy formulation: The absence of new pre-legislative committees with social partner representatives; the lack of involvement of the tripartite bodies in policy reforms and adjustments of policies; consultations of the partners late in the process<sup>6</sup>; the connecting of policy adjustments to the annual parliamentary negotiations (that the social partners have difficulties in influencing); weakening of local/regional corporatism in connection to activation policies; and the issuing of policy proposals shortly before collective bargaining rounds - are all indications from the four selected areas of a more self-assured state. On the other hand the occasional, but repeated, cases of concertation; the continuing widespread consultations; the set-up of new tri- or multipartite bodies; the cases of self-governance and self-administration; the social partners actions to regain control<sup>7</sup>; and the present government’s growing recognition of the role of the social partners indicates, that the Danish model – including its corporatist component – will survive<sup>8</sup>.

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<sup>6</sup> The most controversial example of this is actually a *total lack of* consultation of the social partners. It is found beyond - or on the borderline of - the four selected areas and therefore not included in the main analysis. When the old age pension reform and the Early Retirement Scheme were reformed in 1999 the government did so without consulting or even informing the social partners on the content. The social partners knew that some government initiative would be taken in the area (Due & Madsen 2005), but according to the Chairman of LO, he had to read about the content in the newspapers.

<sup>7</sup> One of the best examples in recent years of the social partners successful attempts to regain control is also found on the border of the four selected areas. The government suggested in the autumn of 2003 to reduce the level of unemployment benefit for high-paid workers, making them finance the first part of their unemployment spell themselves. The minority government managed to establish a narrow majority for its proposal, but heavy criticism, among others from employers’ organisations and the trade unions, put a lot of pressure on the government and in the end they withdrew the proposal. Moreover, and adding to the grey zone, the collective agreements concluded in 2004 contain a clause for renegotiation in case the government changes the rules for unemployment benefit. A strong signal indeed from the social partners that political intervention into the level of support will have consequences (Larsen & Mailand 2005).

<sup>8</sup> In this regard it is notable that the present liberal-conservative government projected a number of initiatives when it came into power in late 2001 that would confront the trade unions. These included ending close-shop arrangements and ending the trade unions monopoly on administrating unemployment benefit funds as well as making part-time work an opportunity to all employees. Three years after the attitude of the government has changed. The Danish ‘flexicurity-nexus’ (containing high levels of numerical flexibility and social security as well as extensive activation policy) has recently been

Therefore, corporatism is alive in Denmark, but the form it not exactly as described in the theories of corporatism, but represent a more ‘...dynamic form of neo-corporatism, where participation in implementation is important and extensive and where participation in policy formulation happens on an ad hoc basis through several channels and cannot be taken for granted, but has to be re-gained year after year through strategic choices and actions’ (Mailand & Due 2003: 226, authors’ translation).

The finding of an enlarged grey-zone between the jurisdictions of the social partners and the state represent a new context for the legal regulation as well as well as collective bargaining and deliver part of the explanation for the dynamics of this form of neo-corporatism. Hence, the illustration of two forms of regulation nicely separated from each other, as shown in table 1, might be a bit misleading. This enlargement of the grey zone could itself be a driver of corporatism, because it increases the pressure for state and social partners to agree on a division of responsibilities.

*Table 4 Ebbinghaus’ modes of social governance (+ unilateral state-regulation) in the four areas*

	Statism		Neo-corporatism		Voluntarism
	Unilateral state-regulation	Consultation (tripartite)	Concertation (tripartite)	Self-administration (‘bipartite’)	Self-regulation (bipartite)
Pensions			x		x
Activation		x	x		(x)
Continuous training		x	x		x
Maternity/paternity leave	X			x	

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praised by OECD as well as individual member-states (e.g. France). This has led the minister of employment to acknowledge the actions of the previous government – that introduced activation policy on a large scale - as well as the role of trade unions in the flexicurity-nexus and in other areas of the Danish model of industrial relations.

#### **4. The drivers of Danish corporatism – tentative explanations**

Apart from the grey zone a number of other factors help to explain the widespread, but general weak involvement of the social partners from the mid 1980s onwards:

Like the grey zone, the *consensus-principle* is a factor pressing both social partners and the governments in direction of corporatism. But contrary to the enlargement of the grey zone, the consensus principle is about path-dependency, about deeply rooted norms and traditions. As shown above the governments do far from always stick to it, but have in most cases to expect some kind of reaction from the social partners when they choose not to do so. Instead of not involving the social partners at all, the choice of the government might therefore be to use weaker forms of involvement than concertation. Cases of the consensus principle in action are the tripartite attempts of the late 1980s to introduce labour market pensions as well as the social partners success in keeping a reform of the unemployment insurance out of the agenda in the pre-legislative work that led to the labour market reform 1993.

Apart from the obvious opportunity to influence the content of the policy, also the *social partners search for new sources of legitimacy* has been a driver of corporatism. This is one of several ‘actor-specific factors’, related either to the social partners or to the state. After decentralisation of collective bargaining to sector and company level, the social partners confederations have searched for new legitimacy vis-a-vis their members in getting involved in the welfare areas. It is especially the trade union confederations that have followed this strategy, whereas the employers’ confederations have been more reluctant because their member organisations might be less willing to accept new regulation on labour market and welfare issues. The development in the dialogue on pensions, but also on activation and maternity/paternity leave, has clearly been connected to this search for legitimacy.

The state needs for the social partners to *facilitate the implementation* of the policies are often emphasised in studies on corporatism. This is also valid in the Danish case, as it has been for decades. Despite of the critic of the role played by the social partners in various tripartite bodies connected to continuous training, if any, it is the social partners that have the in-dept knowledge of the demand for skills in the labour market and their involvement is therefore crucial for a successful implementation. Also in connection to activation the in-dept knowledge of the social partners are crucial. Moreover, in activation they have an important role in giving access to subsidies job, that – in the private sector – have been known for having a high employment effect. This effect is less relevant for the cases of labour market pensions and maternity/paternity leave.

Finally, the ever-increasing pressure on the welfare budgets is an incentive for state to *share costs* with the social partners. If the social partners are willing

to co-finance a certain area it might in the long run open up new economical opportunities in other areas. The labour market pensions and the continuous training are the clearest examples of this dynamic in our sample. The latest reform of continuous training and the following set-up of the Labour Markets Financing of Education and Training were directly linked to such an effort. Activation could – if it manages in getting unemployed back into work – also be of benefit for the state budget, whereas the maternity/paternity leave case is not connected to a cost-sharing aim.

*In sum*, these dynamics have – together with a greater willingness of the state and its agencies to act as the ‘policy maker of the last resort’ – led to the dynamic neo-corporatism described above. All the factors are more or less internal. External pressure does not seem to have played such a huge role in the Danish case. Naturally, Denmark has been exposed to the economic as well as political internationalisation processes, and these have in been in an important context for the Danish corporatism, but it is difficult to see any direct impact. For instance, the Danish core societal actors do not face the same pressure to meet the EMU criteria as several researchers have argued in the case of other EU countries (Pochet & Fajertag 1997; 2000; Hancké & Rhodes 2005), simply because we are not part of the Eurozone and corporatist arrangement does not primarily focus on wage-restraints. Leaving the four areas, the EU-integration has nevertheless had an impact on the interplay state and social partners in that it has not been possible to sustain implementation of the EU-directives through collective agreements. Instead, the implementation through collective agreements in these areas is supplemented with additional legislation for those not covered by these agreements (Andersen 2003).

## **5. Conclusion**

This paper has made three main arguments about the state of neo-corporatism in Denmark:

Corporatism continues to play a role in Danish labour market and welfare state regulation, but rarely in the form of grand social pacts or other general tripartite agreements. Corporatism at national level takes far more often the form of ad hoc agreements on policy formulation and permanent involvement in implementation within specific policy areas.

Corporatism (concertation and, more often, consultation) in policy areas related to the labour market has always been accompanied by voluntarism (self-administration and, more often, self-regulation) in industrial relations (regulation of wages, working and employment conditions). Up until the 1980s the division of responsibilities has been fairly clear between legislation (state) and collective agreements (social partners). This *division of labour has since then started to erode. A grey zone has developed*, where the state and the social partners has to define new divisions of labour – something that already has happened in the relation to pensions, but still is a processes going on in relation to

activation, continuous training and family/gender equality. In some cases this process involve strong tensions between the state and the social partners and illustrate the importance of regime shopping and the shadow of hierarchy.

The development of the grey zone is one of the drivers of Danish corporatism, because it is an incentive to make corporatist agreements on 'who is doing what'. Other drivers are the consensus principle of the Danish model; the social partner confederations search for new sources of legitimacy; the state's need of the social partners for improving implementation; and incentives for cost sharing as a result of pressures on the state budget. External factors such as globalisation and EU-integration have also had a limited impact on corporatism in the four selected as well as other areas, but *EMU is not as in many other EU-countries among the external drivers and the internal factors seem to be stronger drivers of corporatism*, than the external ones.

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