Solidarity in times of welfare state retrenchment.
The development of collectively negotiated benefits in Denmark, France, Germany and the Netherlands


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Comments are welcome.

Abstract

The paper investigates the role of labor relations as a provider and financier of welfare in Denmark, France, Germany and the Netherlands. It is argued that social policy based on collective agreement strongly influences contemporary retrenchment policies. Collectively negotiated benefits may compensate to a certain degree for the negative effects retrenchment policies have on the role of unions and employers in managing welfare schemes and on the principle of solidarity. Discussing the literature on retrenchment policies and based on Thomas H. Marshall’s distinction between political and industrial citizenship, the paper suggests a typology of institutional contexts within which industrial agreements on social benefits develop. It is argued that, on the one hand, the state’s activity or passivity in labor relations and, on the other hand, the timing of the institutionalization of political and industrial citizenship is decisive for the development of collectively negotiated benefits. The conclusion for comparative welfare state research is that, when viewing policies of welfare state retrenchment, the research should systematically include industrial relations in its frame of reference. Under certain conditions which are worth specifying, collective bargaining may lead to a more complex public-private mix, which changes welfare states in other directions than outright market liberalization. However, within a system of industrial agreements on social benefits, solidarity is no longer defined territorially but functionally.

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1. INTRODUCTION

In the literature on retrenchment policies, studies which conceptualize retrenchment broader than market liberalization are rare (Hacker; Hyde, Dixon, and Drover; Veen 2005). When political scientists and sociologists analyze welfare state retrenchment they normally treat retrenchment policies as moves to more privately organized welfare policies in which the market mechanism will gain importance (Gilbert 2004, 2005; Gilbert, and Voorhis, 3; Clark). On the one hand, this leads researchers to argue that, due to the decision in favor of the free-market model, trade unions and employers’ organizations loose competencies in the provision of welfare (Molina, and Rhodes, 306). On the other hand, it is suggested that the social cohesion of society is reduced because redistributive public benefits are cut and replaced by dispersed competition (cf. Oorschot; Greve; Bergmark, Thorslund, and Lindberg). In this context, the literature discusses the “solidarity-decline thesis” (Ullrich, 123), the argument that the principle of solidarity – that is the “willingness to make sacrifices for the well-being of the other members of a group” (Beckert et al., 9; italics added) – looses importance. Wim van Oorschot (1998, 183-184) argues that in many European countries welfare state restructuring reduces the “access to universal protection schemes” and replaces “solidaristic social insurance programs” by “individualistic, market-led private insurance”.

The problem with these assessments on the effects of welfare state restructuring is that they ignore the expanding role of collective agreements between trade unions and employers as a means of providing and financing social benefits. Recent studies of the European Industrial Relations Observatory (EIRO) reveal that in various Continental and Scandinavian welfare states collective agreements are
increasingly being used to regulate and finance welfare issues (EIRO 2004a, b; 2001; 1998). For example, in Denmark, France, the Netherlands and Germany empirical evidence shows a strengthening of the self-regulative role of the collective bargaining partners in the domains of occupational pensions, early retirement and further training.

Collectively negotiated benefits represent a theoretical problem for the literature on retrenchment policies as, in a system of welfare provided by industrial agreements, it is not markets that decide on individual well-being but actors that are collective in their nature. Through collectively negotiated benefits, trade unions and employers’ organizations are able to maintain competencies in the administration of welfare despite retrenchment policies. Additionally, the solidarity losses caused by retrenchment of public benefits may be compensated for by solidarity gains which result from benefits negotiated collectively through the agreements between unions and employers. Hence, if we include industrial agreements on welfare benefits in our analysis of retrenchment policies this probably provides less straightforward and more complex answers to the question of how retrenchment policies affect the role of social partners and the principle of solidarity.

This paper suggests an analytical framework which allows us to include collectively negotiated benefits in the debate on and study of welfare state retrenchment. Drawing on Thomas H. Marshall’s distinction between political and industrial citizenship, I suggest a typology of institutional contexts within which collectively negotiated benefits evolve and develop. The typology set out maintains that the creation of a collectively negotiated welfare system strongly depends, on the one hand, on the degree of state activity in labor relations – hence, the state’s role in
collective bargaining and government tax, labour and social security legislation
supporting industrial agreements on social benefits – and, on the other hand, on the
timing of the institutionalization of industrial and political citizenship rights – hence,
of the channels of functional and territorial interest representation.

The paper is divided into five parts. In the first section, I sketch how the
evidence of collective agreements on welfare benefits may lead to the conclusion that
we have to change our view of the effect of retrenchment policies. In the second
section, I discuss the type of solidarity collective agreements on welfare benefits may
offer. In the third section, I give a short theoretical account of Marshall’s conception
of political and industrial citizenship and develop a two-dimensional typology of
institutional contexts within which collectively negotiated benefits evolve and
develop. The fourth section describes the development of collectively negotiated
benefits in Denmark, France, Germany and the Netherlands and applies the typology
to the four countries. The fifth section comprises my findings.

2. RETRENCHMENT AND THE ROLE OF COLLECTIVE AGREEMENTS ON WELFARE BENEFITS

Since Paul Pierson’s “Dismantling the Welfare State?” the study of
retrenchment has become the main focus of comparative welfare state research. It is
often argued that even Scandinavian and Continental welfare states are gripped by
measures of privatization (Esping-Andersen, 335; Veen and Trommel 1999; Lindbom
and Rothstein, 7; Alber, 2003, 63). The literature claims that markets increasingly
determine individual well-being in dismantled welfare states (Shalev, 1). In his recent
the contemporary restructuring of welfare states as the “triumph of capitalism”.

Pierson (1994, 15) concludes that retrenchment will lead to more residual welfare states, in which the market mechanism will gain importance. Summarizing the core assumptions on which most retrenchment studies are based, Hyde, Dixon, and Drover (189-190) argue that the literature conceptualizes welfare state restructuring mainly as a move to the free-market model.

The literature explains retrenchment in terms of Pierson’s “new politics thesis”. This thesis argues that welfare retrenchment follows a different logic to welfare expansion. In explaining retrenchment, it emphasizes “the role of supportive interests groups and, ultimately, voters” (Pierson, 1996, 144). Pierson’s argument concentrates on the electoral mechanism downgrading unions to one interest group among many. Unions may or may not influence welfare state reform by punishment at the polls, depending on whether or not they are able and powerful enough to defend welfare benefits and entitlements.

Following Pierson’s “new politics thesis”, the trade unions’ role in social policy seems of declining importance, especially in cases where governments have successfully cut public benefits (about which, see also Béland). A growing number of comparative welfare state researchers argue that where governments have successfully restructured public welfare schemes the social partners’ role in managing social policy is considerably weakened (Palier). It is presumed that trade union strategies no longer matter in political decisions (for a critique, see Béland). On the other hand, employers are viewed as agents of the market, as forerunners of a neo-liberal attack on encompassing state social policies and as being no longer concerned with the provision of collective welfare schemes. As a lot of these studies also conclude that there is a general trend toward shifting the responsibility for the
provision of welfare from the state to private actors and organizations (e.g. Gilbert 2004, 2005; unlike Veen 2005, 8), the research additionally argues that the principles, the values and the conceptions of social order underlying social security systems are changing (cf. Cox 2004; Leitner, and Lessenich; Clasen, and Oorschot). In this context a “solidarity-decline thesis” is discussed (Ullrich, 123).1

Do retrenchment policies really produce a general tendency to undermine the role of trade unions and employers in the management of social policy? Do retrenchment policies result in a linear decrease in the solidaristic and redistributive aims of social policy? My response is: whether we link retrenchment to such mechanisms depends on the perspective. If we take a narrow perspective, that is, if we conclude, like Pierson (1994, 15) does, that retrenchment will lead to more residual welfare states, in which the market mechanism will gain importance, then our answer will be in the affirmative. Analyzing welfare state restructuring as cuts in public benefits through which governments intend to move to a system where markets – and not collective actors - increasingly decide on individual well-being leads to a narrow perspective of welfare state restructuring. The definition of retrenchment as market liberalization implicates that we conceive the provision of collectively organized welfare mainly in terms of schemes which are legally institutionalized by the state through public transfers and insurance schemes, i.e. through nation-wide, state-controlled, compulsory institutions of social security. If these public benefits are cut and the provision of welfare by the state is replaced by welfare provision by the market mechanism, the role of the social partners in the management of welfare is necessarily weakened and solidarity declines without any compensation.
However, if we take a wider perspective and assume that welfare state restructuring can embrace different kinds of development and that retrenchment could also mean that governments intend to organize the private provision of welfare by actors that are collective in nature, i.e. families, non-profit organizations, trade unions and employers’ organizations, our answer to the question may be in either the affirmative or the negative (about which, see also Hyde, Dixon, and Drover; Veen 2005, 50). Allowing that retrenchment may go hand in hand with measures through which governments intend to delegate the financing and provision of welfare to other collectivities leads to a wider perspective. Cuts in public benefits which are provided through nation-wide, state-controlled, compulsory institutions of social security may be accompanied by the expansion of benefits provided by employers and trade unions through collective agreements.

In other words: if we include collectively negotiated social welfare schemes in our studies on welfare state retrenchment, we may conclude that the position of collective bargaining systems as intermediary institutions between individuals (employees and managers) and their embeddedness in legal provisions by the state may mean that social partners’ strategies still matter for social policy. In what follows, I argue that collective agreements on welfare benefits may additionally compensate to a certain degree for the solidarity decline that is caused by cuts in state social policy.

3. SOLIDARITY BY COLLECTIVE AGREEMENTS

Within the literature on retrenchment policies a “solidarity-decline thesis” (Ullrich, 123) is discussed. It is argued that current welfare state restructuring leads
to a decrease in the actual social cohesion of society because redistributive public benefits are cut (cf. Oorschot; Greve; Bergmark, Thorslund, and Lindberg). In addition, the literature points out that retrenchment affects individual motivations and sentiments and, in general, produces a loss in popular support for redistributive policies (cf. Ullrich; Taylor-Gooby; Bergmark, Thorslund, and Lindberg; Arts, and Gelissen).

However, do retrenchment policies really undermine solidaristic and redistributive aims of social policy if we also take into account that trade unions and employers may reach collective agreements on welfare benefits? If we presume (with Swaan, 148) that collective agreements may offer some “form of authentic solidarity and collective care” the answer may not be so straightforward because industrial agreements on welfare benefits may compensate to a certain degree for the decline in solidarity produced by welfare state retrenchment.

Collective agreements may be a resource of solidarity (about which, see also Veen 2005, 55-58). Compared to the nation-wide, state-controlled, compulsory social security institutions of the post-war welfare states, however, the solidarity which collective bargaining institutions provide is limited. Nation-wide, state-controlled, compulsory social security institutions and systems of welfare based on industrial agreements are based on different membership criteria. Within a system of collective agreements, the solidary group is no longer defined territorially but functionally (branch, intersectoral). Key actors in the provision of collectively negotiated benefits are no longer nation-wide funds but trade unions and employers - collective actors which defend and promote their functionally defined3 industry-wide or intersectoral interests. In a system of collectively negotiated benefits, solidarity is redefined from
being protective and redistributive solidarity, where the factual base of social cohesion is national and people support nation-wide redistribution,⁴ to being what Wolfgang Streeck (1999, 6-7) has called “competitive and productive solidarity”, where the group to which social cohesion refers is the group of firms and employees covered by the collective agreement and where redistribution is only accepted if it takes into account the special needs of individual firms and employers engaged in the economic sector to which the collective agreement applies. Workers who are employed in prosperous and high-technology sectors are rewarded by better packages of wage and welfare compensation. Unskilled workers with a weaker bargaining position will be thrown back to need-based social assistance programs (cf. Cox 2004, 214).

Hence, the disadvantage of welfare-based over collective agreements is that workers not employed under a collective agreement do not enjoy the benefits regulated in the agreement. Their advantage is that employees who work under a collective agreement on social benefits receive more solidarity than in an individualistic, market-led private insurance scheme. This leads us to say that the self-regulative role of collective bargaining may change the direction of welfare development to a more solidarity-based solution rather than a full market-oriented system.

4. A TYPOLOGY OF INSTITUTIONAL CONTEXTS OF COLLECTIVELY NEGOTIATED BENEFITS

In what follows, I put forward an analytical framework which allows collectively negotiated benefits to be included in the research on welfare state retrenchment. I proceed in two stages. In the first stage, I argue that collective welfare schemes – either legally institutionalized by the state through public transfers and insurance
schemes or organized on the basis of industrial agreements – are the outcome of political and industrial citizenship rights. In the second stage, based on this distinction between industrial and political citizenship, I develop a typology of institutionalized contexts within which collectively negotiated welfare benefits develop.

Drawing on Marshall’s concept of citizenship, I suggest regarding collectively provided welfare schemes as an outcome of political and industrial citizenship rights, hence, of forms of territorial and functional interest representation. With Marshall we can say that trade unions and employers can use political citizenship, that is, political activities – in Stein Rokkan’s words the “electoral channel”, in Claus Offe’s words the system of “territorial interest representation” – in order to represent their social policy demands. On the other hand, they can also revert to industrial citizenship, that is, to economic activities and collective bargaining – in Rokkan’s words to the “corporate channel”, in Offe’s words to the system of “functional representation” – as an appropriate means of interest representation in social policy. With Marshall (94) we can reason that through collective agreements social rights may not only be established by political rights but also by the “secondary system of industrial citizenship”, which in modern democracies has evolved “parallel and supplementary to the system of political citizenship”.

With regard to collectively negotiated welfare benefits – which are at the focus of this paper – we may presume that trade unions or employers sometimes use the political arena to lobby party-political actors in order to enact legal measures which support collectively negotiated welfare schemes. Governments may be receptive to such demands because they may develop an independent interest in collective
agreements on welfare if they view these agreements as a way of avoiding blame for cuts in public benefits (cf. Trampusch 2006) - hence, governments may support collectively negotiated welfare schemes by legal measures. This perspective leads us to say that political actors may provide both a supportive and a redistributive role for collectively negotiated benefits through state activity in labor relations, namely state intervention in collective bargaining and/or tax, labor and social security legislation.

More generally - in line with Bernhard Ebbinghaus (1995, 56) - we may further presume that political citizenship and industrial citizenship perform different functions and mobilize in a different arena (Ebbinghaus 1995, 56). How trade unions (as well as employers’ organizations) make use of these two arenas reflects historical processes, specifically, pathways of integration of unions and employers into polity and economy in the course of industrialization, nation-building and state formation (Ebbinghaus 1995; Streeck, and Hassel). Drawing on Ebbinghaus (1995, 66), we can maintain that the degree of differentiation of the two arenas and the sequencing in the opening of the two arenas are decisive for the arena in which collective actors mobilize and are engaged in order to represent their social policy demands.

Ebbinghaus (1995, 66-67) points out, “…if the political channel [the political arena] remains closed longer, one can expect a ‘ politicization’ of the organization in the corporate channel [the economic arena], mobilizing collective action for political change, while in the reverse case, unions will seek political alliance and support to make up for the lack of power in the labor market”. In other words: the timing of the institutionalization of political and industrial citizenship is crucial for the role public intervention and industrial agreements have in the provision of welfare benefits. In
this sense, we may also assume that, in countries where political citizenship has developed before industrial citizenship, public social insurance schemes clearly advances the development of industrial agreements of welfare, and vice versa.

To sum up: we can argue that the necessary analytical frame allowing us to study the evolution and development of a system of collectively negotiated welfare schemes is defined (a), on the one hand, by the state’s behavior in labor relations, hence by its role in collective bargaining and in enacting tax, labor and social security legislation intended to support collectively negotiated benefits – in short, in terms of whether the state is active or passive in labor relations – and (b), on the other hand, by the timing of the institutionalization of political and industrial citizenship rights (see Figure 1, appendix). Countries in which the state is active and in which industrial citizenship predates political citizenship show a more developed system of collectively negotiated benefits than countries in which the state is passive and in which political citizenship predates industrial citizenship. I hypothesize that if the institutionalization of political citizenship advances the institutionalization of industrial citizenship, trade unions and employers favor political activities in order to represent their social policy demands. This hinders the development of industrial agreements on welfare benefits and promotes the institutionalization of public insurance schemes. However, if the state is active and supports collectively negotiated benefits by measures affecting tax, social security and labor law or by interventions in collective bargaining, industrial agreements on welfare benefits may also develop in countries in which political citizenship predates industrial citizenship. On the other hand: if the institutionalization of industrial citizenship advances the institutionalization of political citizenship, trade unions and employers
are much more supportive of concluding collective agreements in order to represent their social policy demands. Again, an active state supports the development of collective agreements on welfare benefits.

In what follows, I apply the theoretical accounts described above to the Danish, French, Dutch and German cases by combining them with a description of the development of the collectively negotiated welfare schemes in these countries.

5. COLLECTIVELY NEGOTIATED BENEFITS IN DENMARK, FRANCE, THE NETHERLANDS AND GERMANY

Tables 1 to 3 (appendix) sketch the development and extent of collectively negotiated benefits in the domains occupational pensions, early retirement, and further training\(^9\) and of state measures affecting tax, social security and labor law which support these agreements in Denmark, France, the Netherlands and Germany. They show that in all four countries collective agreements have been concluded on welfare and, nearly always, these schemes have been additionally supported by state measures.\(^10\) Tables 4 and 5 describe the state’s role in collective bargaining, the timing of the institutionalization of industrial and political citizenship and the formation of public insurance schemes. In the following section, I argue that we can apply the suggested typology to the four cases (Figure 2, appendix). Denmark, France, Germany and the Netherlands represent four pathways to a system of collectively negotiated benefits.

In Denmark, the state’s role in collective bargaining is passive, and legal intervention in collective bargaining is traditionally very limited.\(^11\) Industrial
citizenship rights were institutionalized before political citizenship rights. The first major national agreement was concluded in 1899, whereas parliamentarism, or rather, a cabinet responsible toward parliament, was only introduced in 1901 (Table 5, appendix). In addition, in the year in which freedom of association – specifically, the right to form a trade union – was legally granted, namely in 1849, only 4.7 percent of the population participated in elections (Table 5, appendix).

In France, government intervenes in collective bargaining. Political integration predated industrial integration. The first major national agreement was only concluded in 1919, 44 years after parliamentarism had been introduced (Table 5, appendix). In addition, in the year in which freedom of association was legally granted, in 1884, 18.4 percent of the population already participated in elections (Table 5, appendix).

As in France, political citizenship in Germany was achieved before industrial citizenship rights were used by trade unions and employers. However, in contrast to France, the state’s role in collective bargaining is passive. In Germany, the first major national agreement was concluded in 1918, but already in 1871 there was the first election at which at least 50 percent of the male adult population were enfranchised (Table 5, appendix). In addition, in the year in which freedom of association was legally granted, in 1918, 49.9 percent of the population already participated in elections (Table 5, appendix).

In the Netherlands, industrial integration predated political integration, as in Denmark. However, in contrast to Denmark, government intervenes in collective bargaining. The first major national agreement was concluded in 1907, whereas proportional representation was only introduced in 1918 (Table 5, appendix).
addition, in the year in which freedom of association was legally granted, in 1872, only 2.0 percent of the population participated in elections (Table 5, appendix).

It is my view that countries where the state plays an active role in labor relations (France) and/or where functional interest representation developed before territorial interest representation was institutionalized (Netherlands/Denmark) have a much more developed system of collectively negotiated benefits than countries where none of these conditions applies (Germany). Empirical evidence on the development of collectively negotiated benefits confirms this argument (about which, see Tables 1 to 3, appendix): The Netherlands has the most developed system of benefits based on industrial agreements. Germany has the worst developed system, with only marginal state funding, low coverage rates of collective agreements, and agreements only concluded in a few sectors and then only recently. Whereas in Denmark, France and the Netherlands the use of the collective bargaining system to provide and finance welfare has a long tradition, in Germany collectively negotiated benefits are much more short-term phenomena. In Denmark, France and the Netherlands, in all three reported domains, benefits are widespread and have a long tradition (an exception are the Danish collective agreements on pensions which were concluded in the early 1990s). It is striking that tax exemptions are independent of institutionalized traditions of state intervention in labor relations and patterns of interest representation. They are used as supportive and redistributive instruments in all four countries.

In the four countries the timing of the institutionalization of political and industrial citizenship has obviously influenced the mix of public schemes and industrial agreements on welfare provision (Table 5, appendix). In countries where political citizenship
developed before industrial citizenship was institutionalized – as in France and Germany – public social insurance schemes clearly advanced the development of collective agreements on social benefits: in France and Germany an obligatory public pension insurance scheme was introduced in 1910 and 1889 respectively, hence, before the first national collective agreement was concluded (in 1919 and 1918 respectively). Countries where industrial citizenship developed before political citizenship was institutionalized – as in Denmark and the Netherlands – belong to the group of countries where public insurance schemes lagged behind the formation of the collective bargaining system. In the Netherlands, an obligatory public pension insurance scheme was only introduced in 1913, six years after the first national collective agreement was reached. In Denmark, an obligatory public pension insurance scheme was only introduced in 1922, 23 years after the first national collective agreement was reached.

The importance of the state’s role in labor relations becomes clear if we compare the Netherlands and France with Denmark and Germany. In the Netherlands and France, there are legal requirements to reach collective agreements on welfare issues (with respect to occupational pensions in both countries, with respect to training in France). In Denmark and Germany, the principle of free collective bargaining permits state intervention in labor relations, and so collectively negotiated benefits have mainly developed on the basis of initiatives taken by trade unions and employers. The legal obligations in France and the Netherlands fit with the fact that both cases belong to the group of countries where the state plays an active role in collective bargaining (Table 4, appendix). Active role means that the state may intervene in collective bargaining in procedural as well as substantive terms by
declaring collective agreements binding (with extension based on the “\textit{erga omnes}” principle),\textsuperscript{13} by imposing statutory minimum wages or by intervening in wage bargaining (only in the Netherlands, not in France). Unlike France and the Netherlands, Germany and Denmark are cases where the state only has a passive role due to the principle of self-regulation in wage bargaining, which interdicts statutory minimum wages and operates in tandem with a minimum use of extension procedures.

The \textit{decisive effect of the timing of the institutionalization of political and industrial citizenship} is obvious in Denmark and the Netherlands. Here, welfare issues are increasingly the result of linking the collectively negotiated welfare schemes to wage bargaining. Linkages between wages and welfare exist in all three domains, that is, in occupational pensions, early retirement and further training. In both countries, this coordination between wage and welfare has just recently be strengthened by tripartite agreements in which the government, trade unions and employers consent to coordinate legislative actions of the state with the bargaining activities of unions and employers. According to the Danish so-called tripartite \textit{“Mousetrap Agreement”} of 2004, unions and employers may reopen collective negotiations if parliament adopts legislation which changes the basis of the sectoral agreements, for example, through initiatives which increase employers’ costs in the industrial sector. The mousetrap clause intends to keep the political actors from intervening in matters which traditionally fall under the competence of the social partners (Jørgensen). In the Dutch \textit{“Museum square agreement” (Museumpleinakkoord)} of 2004, trade unions, employers' organizations and the government reached an agreement on early
retirement and “life-span leave” arrangements (levensloopregeling), occupational disability insurance and moderate wage increases in 2005 (Zaal). 14

The occupational pension system serves as an instructive example of the well-developed system of industrial agreements on welfare operating in the Netherlands. In their analysis of the public–private interactions over pensions, Rein, and Turner (2001, 151) call the Dutch system “interaction as harmonization”. From the inception of public pensions, the Dutch government has made legal provisions for private pensions in order to link the development of pensions in the public–private sphere to that found in the private sphere, and vice versa. Thereby, according to Rein, and Turner (2001), four collective social mechanisms have evolved: conventions, covenants, collective (contractual) agreements and coercion (mandating).15 These “four C’s” tie the public and the private system together in such a way “that a decline in the level of public provision is offset by an increase in the mandatory funded private system” (Rein, and Turner, 136). However, this “harmony “ between the public and private pensions systems does not belie the conflicts between employees and employers and between employees and pensioners which have arisen in the context of rising contribution rates to the occupational pension systems (about which, see Kaar).16 A large share of the pension funds’ resources have been invested in the stock market and are now suffering from a shortfall because of dramatically reduced share prices.

6. CONCLUSION AND PROSPECTS

Despite major cutbacks in public welfare programs there seems to be a tendency to integrate welfare issues in collective agreements. Theoretically as well as empirically, this paper has offered an initial approach to the role collectively
negotiated benefits may play in current welfare state restructuring. I argue that the evidence of collectively negotiated benefits contradicts the general view of a decreasing role for the social partners in the management of welfare. Furthermore, collective agreements on social benefits may compensate for losses in solidarity that are produced by the cutting of public welfare benefits.

Based on Marshall’s conception of political and industrial citizenship, the paper suggests an analytical framework which allows us to include collectively negotiated benefits in the debate on and study of retrenchment. I have sketched a two-dimensional typology of institutional contexts within which systems of collectively negotiated welfare evolve and develop: the first dimension comprises the state’s activity or passivity in labor relations, namely its role in collective bargaining and its role in enacting measures on tax, social security and labor law which support collectively negotiated benefits; the second dimension is the timing of the institutionalization of political and industrial citizenship rights. This typology has been applied to four countries: Denmark, France, Germany and the Netherlands. I have argued that in a system of collectively negotiated benefits, solidarity is redefined from being protective and redistributive solidarity, where the factual base of social cohesion is referred to a territory and people support nation-wide redistribution, to being what Wolfgang Streeck (1999: 6-7; italics added) has called “competitive and productive solidarity”. Within a system of collective agreements, the solidarity group is no longer defined territorially but functionally (branch, intersectoral). Key actors in the provision of collectively negotiated benefits are no longer nation-wide funds but trade unions and employers, and thus collective actors which defend and promote their functionally-defined industry-wide or intersectoral interests.
The evidence on collectively negotiated benefits points out that future research on welfare state restructuring should systematically collect evidence of collectively negotiated benefits, by comparing countries and by reviewing not only the domains of pensions, early retirement and further training but also collective agreements on issues like parental and maternity leave, unemployment insurance/active labor market policy, childcare, and health care and sickness pay.

Analytically and theoretically, the future studies should take account of the politics of interdependencies between public retrenchment policies and collectively negotiated benefits: Do governments use these schemes as a way to avoid blame for cuts in public benefits? Do trade unions and employers regard them as a means to counterbalance cuts in public benefits and, in so doing, rearrange their political and economic activities in order to represent their social policy demands? Collectively negotiated benefits may be of interest to state actors, trade unions and employers (Ståhlberg, 190). Government may use the collective bargaining system as a mechanism of blame avoidance (Trampusch 2006), while collectively negotiated benefits may relieve the state of some responsibility for supporting social cohesion through public welfare as well as disburdening the government of the costs of public welfare.17 On the trade union side, collectively negotiated benefits may represent a way to recruit members, revitalize organizational resources, stabilize collective bargaining systems and compensate for losses in public welfare;18 on the employers’ side, collectively negotiated benefits may be attractive due to deferred wages, that is, wage restraint in exchange for welfare.19

The development of collectively negotiated benefits contains important lessons for our understanding of how industrial relations affect the development of welfare...
states. The divergent development of industrial agreements on welfare benefits in Denmark, France, the Netherlands and Germany indicate that differences in pathways of the formation of political and industrial citizenship and different traditions in the state’s role in labor relations strongly affect actors’ preferences in the proper private–public mix to the provision and financing of welfare. Gilbert’s (2004, 101) statement that present measures of privatization change “the initial organization of state and market responsibilities toward more market and less state” and “aim to limit the direct role of the state and to increase private activity in the financing and provision of social benefits” needs to be supplemented by an historical reconstruction of trade unions’ and employers’ preference formation regarding the mix of public and industrial welfare benefits. Under certain conditions, which are worth specifying, collective bargaining may lead to a more complex public–private mix that shifts welfare states in other directions than outright market liberalization, not only in factual but also in normative terms.
7. Literature


• Madsen, Jørgen Steen, Søren Kaj Andersen, and Jesper Due. 2001. From Centralised Decentralisation towards Multi-level Regulation. Danish employment relations between Continuity and Change. FAOS Research Paper No. 032. [Not to be quoted]


1 With Robert H. Cox we can reason that the literature uses a wide as well as a narrow conception of solidarity. Whereas authors using the wide conception link solidarity with the creation of “programs that break down class divisions or regional disparities” and argue that the “maximum scope” of this kind of solidarity is universalism (Cox 2004, 209) narrow conceptions of solidarity “focus on the degree to which programs achieve redistributive ends, because redistribution demonstrates a commitment to the least well-off in a society” (Cox 2004, 209-210). Note, the fact that the solidarity-decline thesis is a moot question and in literature we find diverging claims and opinions on this thesis (for example, Gelissen; Romke van der Veen (2005, 50) argues against the decline thesis) suggests that solidarity may shift to lower levels (trade unions) or higher levels (the European Union). In addition, there are also various studies which claim that the solidarity-decline thesis lacks empirical evidence (Thorslund, and Bergmark; Hamann, Karl, and Ullrich).

2 Here, I refer to Steffen Sigmund (2004, 96) who analyzes the solidarity effects of foundations (Stiftungen); on the role of intermediary institutions in offering solidarity and social order, see Streeck, and Schmitter (1985); Kaufmann.

3 On functionally defined interests, see Streeck, and Schmitter (1985, 10)

4 Note that nation-wide redistribution does not mean that nationality or ethnicity is a precondition for receiving benefits, as is the case in Beveridge systems. In Bismarckian systems of social insurance schemes, entitlement is dependent on the fact that one lives in the territory to which the social security scheme refers. In the German social insurance scheme, people are eligible to benefits independent of their nationality; what is decisive is that they work under an employment contract that has been concluded within German labor law (on which, see Berger, 260).

5 My analysis follows Bernhard Ebbinghaus’ (1995) study of citizenship rights, cleavage formation and party-union relations. In order to explain the formation of political union cleavages and long-term party-union relations, Ebbinghaus (1995, 56-57) argues that both working-class as well as labor unions, are shaped by the differentiation process of political and economic interest representation, that is, by how the arena of the political system and the arena of industrial relations have been used by the labor movement to mobilize and to represent its interests. Ebbinghaus refers to Marshall’s concept of citizenship rights and Rokkan’s cleavages-based study of political parties and unions.

6 Why Marshall? With the demise of welfare expansion and the general trend of welfare state restructuring, which both affect organized capitalism and trade unions heavily, T.H. Marshall’s
concept of citizenship has gained renewed interest in welfare state research and studies on trade unions and industrial relations systems (cf. Turner 1990; Cox 1998; Streeck, and Hassel; Streeck 2005). It is Wolfgang Streeck who very clearly points out the value and importance of Marshall’s concept for comparative welfare state research: “For Marshall, the recognition of trade unionism in the process of democratization represented an intermediate step between the institutionalization of political and social rights. Unions organized to demand social rights for workers to a living wage and to dignity in the workplace, contributing to the secular progression towards effective entitlement of all members of a political community to a minimum level of subsistence. But rather than relying on political rights to democratic elections and, subsequently, on direct state intervention in the economy, unions, once they had won the right to organize, pursued their goals in the civil sphere of the marketplace by means of free and voluntary, albeit collective, contracts.” (Streeck 2005, 258).

7 A good example is the German chemical workers’ trade union, which has lobbied the German government to support their collective agreements on early retirement and pensions by tax deductions (Trampusch 2005, 216-220).

8 To conceptualize the role which the state (including, among others, government agencies, federal and state governments, and labor courts) plays in industrial relations, the literature distinguishes between different functions and purposes the state can bring to collective bargaining and industrial relations (cf. Windmuller; Keller; Bean; Traxler 1997). If we compile the accounts of Traxler (1999), Bean and Windmuller we can distinguish the following two main roles of the state. Firstly, the state may adopt a role in *procedural* questions of the negotiation process and the application of its results, by establishing the general framework of collective bargaining and industrial relations, with rules on peace obligation, strike rights and the extension and enforcement (mediation, conciliation, arbitration) of collective agreements. Secondly, it may determine *substantive* issues (wages, conditions of employment) by means of statutory provisions relating minimum conditions or statutory limits on negotiated wage increases and so on or by attempts to link wage increases to other issues like productivity improvements or social policies.

9 For spatial reasons, the paper focuses on these three domains. However, note, collective agreements also refer to other issues like parental and maternity leave (Denmark, Netherlands), unemployment insurance/active labor market policy (France, Denmark, Netherlands), childcare (Netherlands), health care and sickness pay (Netherlands) and the so-called “life cycle oriented regulations” (levensloopregelingen) – an integrated set of measures aimed at enabling workers to manage their working time and leave over their entire working lives in order to balance their work and family/care responsibilities – (Netherlands).

10 As regards the *funding and financial structure* of the schemes, state support by special funding or tax exemption is widespread. However, recently, in all four countries reforms have been carried out to reduce the tax exemptions in order to make early retirement schemes less attractive. The exception is the Danish system of further training, which is mainly funded by general taxation. Mostly, however, the benefits are co-financed by employers’ and employees’ contributions. Often, special funds exist which are collectively managed by employers and trade unions in order to distribute and invest the money. The Dutch employers and trade unions in particular have concluded collective agreements on the formation of sectoral funds (so-called CAO-fondsen) to finance welfare benefits in labor market policy, childcare, early retirement and further training. Both employers and employees pay contributions to these funds as part of the wage sum.

11 According to a recent study of the Danish Ministry of Labor (1994), “collective agreements are estimated to regulate more than 90% of the Danish labor market”; the study has stated that the Danish parliament “has not so far allowed the scope of collective agreements to be widened by executive orders, or otherwise” (quoted in Gill, Knudsen, and Lind, 37).

12 An instructive example of the importance of legal obligations are occupational pensions. In the Netherlands and France, the *coverage rates of occupational pensions* are much higher than in Denmark and Germany due to legal measures which make the systems obligatory for employers and employees. What is also interesting is that for Denmark some studies argue that union participation in the management of occupational pension funds provides unions with a vested interest in
maximizing the returns of their funds and “also makes them more willing to show wage restraint in collective bargaining, in order to boost contributions” (Øverbye, 185). For the Danish case, it is argued that collective agreements on welfare not only legitimate agreements on wage restraint but also contribute to the stabilization of the collective bargaining system (Madsen 2003).

At present, the Dutch government has declared 73 of the CAO-fondsen generally binding for all employees working in the sector. In 2003, the revenue of these funds amounted to 564 million euros and the expenditure to 595 million euros (MinSZW).

Note that in France and Germany, too, collective agreements on welfare benefits have gained increasing attention in the political process. According to Christian Dufour, in 2003, French national intersectoral collective bargaining significantly influenced the course of political events in a number of areas, such as pensions, unemployment insurance and further training. In addition, he points out that bargaining on welfare issues has actually received more attention than wage bargaining at company-level. In 2004, the German Bundestag passed legislation that would have imposed a levy on companies that provide insufficient training places. At the same time, the proposed legislation would have given priority to collectively negotiated agreements containing solutions for improving the training situation insofar as they were in line with the bill’s aims. In the end, the law was suspended by a voluntary pact on apprenticeships agreed between the German government and business. There has been huge protest and resistance by employers against the levy.

“Mandating” means that, since legislation in 1949, employers are obliged to take part in the sectoral pension schemes which are collectively negotiated if one of the labor market partners makes such a request to the Ministry of Social Affairs (Rein, and Turner 2001, 137). “Convention” means that in the context of the inception of the basic public pension scheme (AOW) the unwritten rule has been established that all pension schemes, whether private or public, have to be set up in such a way that “they take account of the size of the pension payment of the public scheme and strive to achieve a replacement rate of 70% of the last earnings before retirement” (Rein, and Turner 2001, 130). The convention means that the system of occupational pension has been expanded in times of public cutbacks (Rein, and Turner 2001, 130, 137). In addition, the public–private mix in the Dutch pension system is shaped by the so-called “Pension Convenant”, “by which the government convenes the social partners and sets out its concerns about the direction of pension policy and encourages the partners to find a solution” (Rein, and Turner 2001, 130). As the government threatens public intervention in the event of the social partners not reaching an agreement, the Pension Convenant “sets strong incentives for the social partners to collectively find a way to resolve the issues on the table” (Rein and Turner, 131). This was the case in 1997 when the government called for the coverage of pension plans to be increased and “white spots” to be reduced (Rein, and Turner 2001, 131).

Robbert van het Kaar (5) concludes: “Although the collective occupational pension system in the Netherlands is often presented as an example in the European context, cracks are beginning to appear”.

According to an OECD analysis, however, tax treatment of private welfare (e.g. occupational pensions) leads to net cost for public finances in the long term, as taxes not paid on contributions exceed taxes collected on pension benefits. At the same time, however, it is expected that given the ageing population the net budgetary costs will diminish in most countries (OECD, 175). In addition, OECD maintains that the scope for expanding private welfare is limited because it is not necessarily cheaper and more efficient than public welfare (about which, see Pearson and Martin). This suggests that we should also analyze the fiscal limits of an expansive role for collectively negotiated welfare: if trade unions and employers organize welfare schemes, this is unlikely to be cheaper for governments due to tax exemptions.

As regards the Dutch case, Oorschot has pointed out very clearly that trade unions may use collectively negotiated benefits to compensate for cuts in public welfare: “The overall decline in citizens’ social protection, however, has not affected everybody to the same degree. In some instances trade union pressure has persuaded employing organizations to ‘repair’ the gap by providing occupational benefits. This applies particularly to disability where many employers
have agreed to supplement flat rate benefits under the new state scheme by up to 70 percent of an individual’s previous wage. Indeed such agreements have plugged the ‘WAO-gap’ for nearly 80 percent of the work force” (Oorschot, 200).

However, the sustainability of collectively negotiated welfare schemes may also be constrained (and probably even lowered) by the general trend of the dismantling of centralized collective bargaining systems; small and medium-sized firms may not be able to pay the costs of welfare benefits and, hence, be forced to opt out of collective agreements.
Figure 1: Typology of institutional contexts within which collectively negotiated welfare benefits evolve and develop

<table>
<thead>
<tr>
<th>Active State</th>
<th>Passive State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territorial Interest Representation (Political Citizenship)</td>
<td></td>
</tr>
<tr>
<td>Advanced Functional Interest Representation (Industrial Citizenship)</td>
<td></td>
</tr>
<tr>
<td>Functional Interest Representation (Industrial Citizenship)</td>
<td></td>
</tr>
<tr>
<td>Advanced Territorial Interest Representation (Political Citizenship)</td>
<td></td>
</tr>
</tbody>
</table>
Figure 2: Typology of institutional contexts within which collectively negotiated welfare benefits evolve and develop
## Table 1 Collective Agreements on Occupational Pensions

<table>
<thead>
<tr>
<th></th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Form</strong></td>
<td>Voluntary pension funds (AMP), administered by trade unions and employers through the board of directors</td>
<td>Mandatory supplementary pension schemes for managerial/professional staff (AGIRC) and for other employees (ARRCO), managed by the social partners</td>
<td>Voluntary sectoral pension funds in the chemicals and metalworking sector, managed by social partners</td>
<td>Mandatory sectoral pension funds, managed by social partners</td>
</tr>
<tr>
<td><strong>First Agreement</strong></td>
<td>1991, feature regularly in sectoral bargaining agreements which determine the contributions</td>
<td>AGIRC (1947), ARRCO (1961), subject to frequent agreements on contributions, benefits etc</td>
<td>2001; until then only in the public sector, the construction sector (1975); by the end of 2003, collective agreements on pensions cover 19.7 million employees</td>
<td>Since the first sectoral collective agreements</td>
</tr>
<tr>
<td><strong>Level</strong></td>
<td>Sectoral</td>
<td>Intersectoral: occupational pensions are not an issue in sector and company-level bargaining</td>
<td>Sectoral: the agreements regulate the so-called transformation of payments, the financing (e.g. the transformable payment components) and the employer’s contribution</td>
<td>Sectoral; large companies have their own schemes</td>
</tr>
<tr>
<td><strong>Coverage</strong></td>
<td>90% of employees</td>
<td>As the system is mandatory for all employers and employees the coverage rate is very high</td>
<td>Metalworking pension funds: 100,000 employees and 5,500 companies (Jan. 2004); payment transformation in the chemical sector: more than 400 firms with about 200,000 employees (Dec. 2003)</td>
<td>91% of employees</td>
</tr>
<tr>
<td><strong>Link to Wages</strong></td>
<td>Yes</td>
<td>No</td>
<td>In the chemical sector in the bargaining round 2001</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Legal Obligations/Legal Provisions</strong></td>
<td>No obligation</td>
<td>Yes, 1972 act obliges employees insured under public pension insurance scheme to participate in pension systems based on collective agreements</td>
<td>No obligation; however, a collective agreement is a precondition for receiving governmental support for occupational pension schemes</td>
<td>Yes, 1949 act: mandating following formal request to the Minister of Social Affairs by one of the labor market partners; after such a request, employers within a branch are obliged to take part in the industry-wide scheme; opting out of mandating is possible</td>
</tr>
<tr>
<td><strong>Financial structure</strong></td>
<td>Co-financed by employer and employee</td>
<td>Co-financed by employer and employee</td>
<td>Mainly financed by employee, employers’ contribution</td>
<td>Co-financed by employer and employee</td>
</tr>
<tr>
<td><strong>Tax Law/State Funding</strong></td>
<td>Tax exemptions on contributions</td>
<td>Tax exemptions on contributions</td>
<td>Tax exemption on contributions</td>
<td>Tax exemption on contributions</td>
</tr>
<tr>
<td><strong>Recent Developments/Special Characteristics</strong></td>
<td>In the course of corporate tax reforms in the 1990s, tax exemptions for voluntary pensions were reduced; labor market pensions have been a catalyst in the expansion of collectively negotiated welfare since the 1990s.</td>
<td>In 2003, collective agreements on occupational pensions were prolonged until December 2008.</td>
<td>MetalliRente, the pension scheme in the metalworking sector, has been named the best industry-wide pension fund in Europe, out of a total of 467 such funds, by the specialist magazine <em>Investment &amp; Pensions Europe</em> (IPE); in the 2005 bargaining round, the chemical trade union demanded the introduction of obligations through an agreement with employers.</td>
<td>Replacement of defined benefit by defined contribution; of final wage by average wage system; increasing contribution levels due to increasing financial problems of the pension funds; the trend toward replacing the VUT system (collective agreements on early retirement) by flexible ‘pre-pensions’ means that occupational pensions are increasingly used for early retirement; increasing conflicts due to the financial difficulties of pension funds</td>
</tr>
</tbody>
</table>

Source: Own compilation on the basis of [www.eiro.eurofound.eu.int/index.html](http://www.eiro.eurofound.eu.int/index.html) and [www.world-pensions.org](http://www.world-pensions.org).
### Table 2 Collective Agreements on Early Retirement

<table>
<thead>
<tr>
<th>Form</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early retirement scheme for members of union-owned unemployment funds (the so-called ‘post-employment wage', efterlØn) at age of 60 (normal retirement age is 67); collective agreements on part-time retirement are part of the so-called “inclusive labor market”, which aims at retaining older people, people with disabilities or the long-term unemployed in work.</td>
<td>Early retirement was also financed by UNICED (unemployment insurance which is based on collective agreements); UNECID-financed early retirement was the major pathway to early retirement in France (Ebbinghaus 2005: 152); separate collective agreements on early retirement since 1995</td>
<td>Collective agreements on part-time retirement complement the statutory part-time retirement benefits and sometimes provide compensation for reduced pensions: the employer has to top up the wage during the working phase and has to pay the contributions to the pension insurance on the basis of 90 percent of the gross salary.</td>
<td>“VUT” benefits are financed on a pay-as-you-go basis, with contributions based on the firm’s wage bill; the provision offered older employees (55 plus) the chance to retire and retain 80% of their gross salary; in recent years this percentage has been reduced to 70% and VUT provisions have been changed into pre-pension schemes, the government reducing its financial support.</td>
<td></td>
</tr>
<tr>
<td>First Agreement</td>
<td>1979 (etterlØn), mid-1990 (part-time retirement)</td>
<td>1956 (UNICED); 1995</td>
<td>1996</td>
<td>In the late 1970s</td>
</tr>
<tr>
<td>Level</td>
<td>Sectoral</td>
<td>Sectoral</td>
<td>Sectoral</td>
<td>Sectoral</td>
</tr>
<tr>
<td>Coverage</td>
<td>etterlØn: very high; in 1999: 150,000 participants part-time retirement: low participation rates (Hansen)</td>
<td>Widespread use of UNICED-financed early retirement</td>
<td>Between 1996 and 2002, the Federal Labor Office approved 168,121 claims for reimbursement; the actual number of part-time pensioners is considerably higher since; by the end of 2003, 854 collective agreements on part-time retirement were concluded, covering 16.3 million employees.</td>
<td>In 2000 in 30% of the collective agreements (covering 20% of the employees) a provision for early retirement (VUT) was arranged; in 1996 40% of former male employees between 55 and 59 received a VUT benefit, while this was 50% in the older age group (60-64)</td>
</tr>
<tr>
<td>Link to Wages</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Financial structure</td>
<td>Co-financed by employer and employee</td>
<td>Co-financed by employer and employee</td>
<td>Co-financed by employer and employee</td>
<td>Co-financed by employer and employee</td>
</tr>
<tr>
<td>Legal Obligations/Legal Provisions</td>
<td>No obligation</td>
<td>No obligation</td>
<td>No obligation, the 1996 Part-Time Retirement Act (Altersteilzeitgesetz) encourages part-time retirement, contingent, however, on a collective agreement between unions and employers; two additional laws on part-time retirement (1999, 2000) developed this early exit model further</td>
<td>No obligation</td>
</tr>
<tr>
<td>Tax Law/State Funding</td>
<td>Public transfers through transfers to the unemployment funds of trade unions</td>
<td>Public transfers through transfers to UNICED</td>
<td>Direct public payments through the Public Employment Service, tax exemption on contributions</td>
<td>Tax exemption on contributions; tax deductions for VUT and other early pension schemes will be abolished as of January 1, 2006</td>
</tr>
<tr>
<td>Recent Developments/ Special Characteristics</td>
<td>Reform in 1999 made the etterlØn scheme less attractive (Greve).</td>
<td>The 2003 pension reform restricted many forms of early retirement; however, the reform has allowed exemptions from this restriction if a sectoral collective agreement is concluded; since autumn 2003 such agreements have been increasingly concluded.</td>
<td>In sum, these agreements practically offset the pension reduction that had just been enacted by the government to stop early retirement.</td>
<td>The VUT system will be replaced with a capitalized flexible system; government is proposing to reduce the transition period in which promised VUT provisions receive a tax subsidy; the government's aim is to replace the VUT with flexible, pre-pension schemes.</td>
</tr>
</tbody>
</table>

Source: Own compilation on the basis of www.eiro.eurofound.eu.int/index.html.
Table 3 Collective Agreements on Further Training

<table>
<thead>
<tr>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Form</strong></td>
<td>Collective funds: AER schemes are financed by state and employers, but run by employers and unions, only for union members; schemes refund employers all or part of wages paid to trainees during their time spent at school; financed from contributions paid by all private and public-sector employers and state grants; AER is an autonomous institution managed by the social partners; the total contribution to the funding of individual AER schemes is fixed each year by the Minister for Education on a recommendation from the AER board.</td>
<td>Intersectoral collective agreement (1970) on an obligatory financial contribution by companies and the right to training in working hours (&quot;train or pay tax&quot;), and also sectoral agreements; at present, the contribution is 1.5% of the wage bill for companies with 10 or more workers; additional funding by the state; the social partners manage the financial resources jointly through bipartite sectoral organizations. Since 1984 training funds are co-managed by unions and employers; meanwhile approx. 100 training funds exist (Drexel).</td>
<td>Some sectoral agreements deal with the funding of training (banking, 1983; clothing, 1988; chemicals, 1993; printing industry, 1990); their content varies: in some, training counts as working hours and in others it is co-financed through different formulae – e.g. the company pays the cost and the worker contributes the time, or the funds are financed by both parties.</td>
</tr>
<tr>
<td><strong>First Agreement</strong></td>
<td>1977, establishment of the AER scheme, 1970</td>
<td>1983</td>
<td>Late 1970s</td>
</tr>
<tr>
<td><strong>Level</strong></td>
<td>Sectoral</td>
<td>Intersectoral and sectoral</td>
<td>Sectoral</td>
</tr>
<tr>
<td><strong>Coverage</strong></td>
<td>1 million out of the total workforce of 2.9 million are entitled (Olesen)</td>
<td>Meanwhile approx. 100 training funds exist (Drexel)</td>
<td>Very low</td>
</tr>
<tr>
<td><strong>Link to Wages</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Financial structure</strong></td>
<td>Employer's contribution</td>
<td>Employer's contribution</td>
<td>Co-financed by employer and employee</td>
</tr>
<tr>
<td><strong>Legal Obligations/Legal Provisions</strong></td>
<td>No obligation</td>
<td>1971 act: obligatory financial contribution by companies and the right to training in working hours; legal obligation to negotiate at branch level every five years</td>
<td>No obligation</td>
</tr>
<tr>
<td><strong>Tax Law/State Funding</strong></td>
<td>Further training is funded through the general taxation system; in 1997, the total amount was 2,396 (DK, million), also ESF funding</td>
<td>Additional funding of training based on a collective agreement by the state.</td>
<td>No state funding</td>
</tr>
<tr>
<td><strong>Recent Developments/ Special Characteristics</strong></td>
<td>In 2004, the social partners concluded an agreement on how to deal with the challenges of globalization in the light of competitiveness and employment; in this context, the competences of employees were singled out as a major precondition in ensuring the necessary improvement to the competitiveness of the enterprises in the light of the challenges raised by globalization.</td>
<td>Several reforms since the 1970s; in 2003, new agreement on further training which raised employers’ contribution to the training funds; at present, a debate is ongoing about the co-financing of training by companies (costs) and workers (hours).</td>
<td>2001, collective agreement on skill formation in the metal industry in Baden-Württemberg</td>
</tr>
</tbody>
</table>

Source: Own compilation on the basis of www.eiro.eurofound.eu.int/index.html and www.cedefop.eu.int.

Note: In Denmark and the Netherlands the collective funds do not only finance further training but also vocational education.
### Table 4 Role of the State in Collective Bargaining (mainly Government)

<table>
<thead>
<tr>
<th>General</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporatist (Ebbinghaus 2005; Crouch; Windmuller)</td>
<td>Contentious, mainly firm-level bargaining on wages and working time; state interventions, e.g. Auroux laws of 1982 (Ebbinghaus 2005; Crouch; Windmuller)</td>
<td>Cooperative (Ebbinghaus 2005; Crouch) Freedom of Collective Bargaining (Tarifautonomie) restricts state intervention in wage bargaining; government respects the principle of Tarifautonomie and does not interfere in the collective bargaining process.</td>
<td>Cooperative; centralisation by recommendations of the bipartite Foundation of Labor and the Tripartite Social and Economic Council; state interventions (Ebbinghaus 2005; Crouch; Windmuller)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Procedural</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Extension (e.g. based on the ‘erga omnes’ principle)</strong></td>
<td>Yes, but voluntary; request of social partners; law to be enacted by the government; no minimum requirements for extension</td>
<td>Since 1936 (procédure d'extension, procédure d’élargissement)</td>
<td>Yes, request of at least one party to the collective agreement; declaration by the Ministry of Labor and Social Affairs; minimum of 50% of all employees in field of application must be covered prior to extension; extension must be in public interest; approval by a special collective bargaining committee (Tarifausschuss) EiRO, 2001</td>
<td>Yes, request of one or more bargaining partners; decision of Ministry of Social Affairs and Employment; agreement must cover ‘sufficient majority of relevant employees’ “Limited extension practice” (Traxler 1994, 179)</td>
</tr>
<tr>
<td>“Absence of extension” in practice (Traxler 1999, 75)</td>
<td>Yes, almost automatic (ex lege) but formal request of Ministry of Labor or social partners required; executive order by the Minister of Labor after consultation with National Commission of Collective Bargaining; no minimum requirements for extension; extension is used for industry-wide agreements as well as for general multi-industry agreements</td>
<td>“Pervasive Extension Practice” (Traxler 1994, 179)</td>
<td>“Limited extension practice” (Traxler 1994, 179)</td>
<td></td>
</tr>
</tbody>
</table>


<p>| <strong>Substantive</strong> | Minimum wage by law but regulated by collective bargaining | Minimum wage by law | No minimum wage by law | Minimum wage by law |</p>
<table>
<thead>
<tr>
<th></th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tripartite Income Policy, Political Exchange</strong></td>
<td>Tripartite income policy in 1987; social pacts in the 1990s</td>
<td>Concertation between wage policy and social policy structural impossible since wage agreements are concluded at company level and welfare issues are dealt with by national, intersectoral agreements</td>
<td>No tripartite income policy and political exchange until now; failed attempts of tripartite negotiation over economic policy, social policy and wage bargaining in the 1960s (Konzertierte Aktion), under the Kohl government in 1995/1996 (Bündnis für Arbeit) and under the red-green government between 1998 and 2003 (Bündnis für Arbeit)</td>
<td>Strong and regular practice of tripartite income policy and political exchange since 1945 in order to adjust collective bargaining to the well-being of the entire economy or to government social policy (about which, see Visser/Hemerijck; Hassel)</td>
</tr>
<tr>
<td><strong>Role of the State in Sum</strong></td>
<td>Passive</td>
<td>Active</td>
<td>Passive</td>
<td>Active</td>
</tr>
</tbody>
</table>

Source: Own compilation.
<table>
<thead>
<tr>
<th>Political integration and industrial integration</th>
<th>Denmark</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing of political integration and industrial integration</td>
<td>Industrial integration predates political integration</td>
<td>Political integration predates industrial integration</td>
<td>Political integration predates industrial integration</td>
<td>Industrial integration predates political integration</td>
</tr>
<tr>
<td>Political integration</td>
<td>a) 1849</td>
<td>b) 1848</td>
<td>c) 1875</td>
<td>d) 1919</td>
</tr>
<tr>
<td></td>
<td>a) 1869</td>
<td>b) 1871</td>
<td>c) 1919</td>
<td>d) 1919</td>
</tr>
<tr>
<td></td>
<td>a) 1855</td>
<td>b) 1896</td>
<td>c) 1868</td>
<td>d) 1918</td>
</tr>
<tr>
<td>Industrial integration</td>
<td>a) 1849</td>
<td>b) 1849</td>
<td>c) 1899</td>
<td>d) 1936</td>
</tr>
<tr>
<td></td>
<td>a) 1884</td>
<td>b) 1864</td>
<td>c) 1919</td>
<td>d) 1936</td>
</tr>
<tr>
<td></td>
<td>a) 1872</td>
<td>b) 1872</td>
<td>c) 1907</td>
<td>d) 1919</td>
</tr>
<tr>
<td>Voter turnout in the year in which the right to form a trade union was legally enacted (freedom of association) (as a percentage of the population)</td>
<td>4.7</td>
<td>18.4</td>
<td>49.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Year in which an obligatory public pension insurance scheme was introduced</td>
<td>1922</td>
<td>1910</td>
<td>1889</td>
<td>1913</td>
</tr>
<tr>
<td>Year in which an obligatory public sickness insurance scheme was introduced</td>
<td>1933</td>
<td>1930</td>
<td>1883</td>
<td>1929</td>
</tr>
<tr>
<td>Timing of public insurance schemes and collective bargaining</td>
<td>Collective bargaining predates public insurance schemes</td>
<td>Public insurance schemes predates collective bargaining</td>
<td>Public insurance schemes predates collective bargaining</td>
<td>Collective bargaining predates public insurance schemes</td>
</tr>
</tbody>
</table>

Source: Rows two and three Ebbinghaus 1995; row four Armingeon (1994, 81, Table 3.3); rows five and six: Alber (1987: Table A7).

Notes: Political integration (Ebbinghaus 1995), a) Association right: right to form associations, b) Manhood suffrage (50%): first election at which at least 50 percent of male adult population were enfranchised, c) Parliamentarism: cabinet responsibility towards parliament, d) Proportional representation; Industrial Integration (Ebbinghaus 1995): a) Freedom of association: right to form a trade union, b) Strike right: right to strike action, c) Collective bargaining: first major national (or central) collective agreement, d) Corporatist inclusion: statutory works councils or national labor conference.