

## Social Pacts Revisited: 'Competitive Concertation' and Complex Causality in Negotiated Welfare State Reforms

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## **Social Pacts Revisited: ‘Competitive Concertation’ and Complex Causality in Negotiated Welfare State Reforms**

**ABSTRACT** ■ This article discusses three major issues related to tripartite social pacts: first, the puzzles they present for classic theories of corporatism; second, the contrasts between the political economies of ‘competitive concertation’ and Keynesian coordination; and third, the problems of assessing their effects in the context of complex causality. The main focus is on one specific policy area: negotiated welfare state reforms. The conclusion is that though such negotiations have dominated the process of welfare state recalibration in Europe during the 1990s, tripartite social pacts are neither a necessary nor a sufficient condition for success.

### **Once Again Corporatism is (Not) Dead, Long Live Corporatism!**

Social pacts were negotiated in many European countries in the 1980s and 1990s, and have become a major issue in comparative research on industrial relations, corporatist policy-making and welfare state reform. In a most general sense, they can be defined as new forms of competitive macroconcertation in which governments and representatives of organized capital and labour meet regularly in attempts to coordinate policies across formally independent and institutionally segmented but *de facto* interdependent policy areas such as fiscal, wage, labour market, and social policy (Hassel, 2000). These new responses to internationalization and changing patterns of production have been given such labels as ‘competitive corporatism’ (Rhodes, 2001) and ‘lean’ or ‘supply-side corporatism’ (Traxler, 2001). They represent an alternative to a neoliberal decentralization of industrial relations and segmentation of policy responsibilities (Fajertag and Pochet, 1997).

The term ‘social pact’ is often used to refer to concertation at different levels of the political system and the economy: national or macro level, sectoral, regional or company level. The form, politics and contents of

concertation platforms vary across countries and change over time, and any generalizations that fail to take into account this variety among 'social pacts' are problematic.

This article deals exclusively with tripartite social pacts at the national level. As the literature on corporatism has often been criticized for concept inflation, a comment on the choice of the term 'competitive concertation' is appropriate. I use the term competitive concertation rather than 'corporatism' because the various macroconcertation processes in OECD countries during the 1980s and 1990s were not necessarily based on firmly institutionalized corporatist interest mediation or policy-making. Rather, they involved a large variety of forms and practices of more or (often) less firmly institutionalized concertation; some of the social pacts of the 1980s and 1990s were crisis-induced processes with a comparatively low degree of institutionalization.

However, the many efforts to revitalize tripartite macroconcertation during these decades (Fajertag and Pochet, 1997; Hassel, 2000; Regini, 2000) indicate that corporatist forms of interest mediation and policy-making are not outdated. In the context of 'institutionalized monetarism' (Traxler, 2003), corporatism has proved an adaptable method; older forms of (neo)corporatism have been 'adapted, rather than abandoned' and 'were clearly surviving and adjusting, not collapsing' (Molina and Rhodes, 2002: 309, 312). As a consequence, at the beginning of the 21st century, various forms of corporatist policy-making are important features of many European political systems. Some authors have even argued that corporatism is the one (and only) alternative to unilateral deregulation (Regini, 2000).

Even more significant than the revival of corporatism in countries such as the Netherlands is the negotiation of social pacts in countries that lack a strong tradition of neocorporatist concertation: Greece, Ireland, Italy, Portugal and Spain. Social pacts in some of these countries challenge core propositions of corporatist theories, being rooted neither in a long tradition of social partnership nor in corporatist networks at lower levels of society. Social pacts have even been agreed in political systems that constitute 'majoritarian democracies' (Lijphart, 1999), with strong governments which do not normally need to accommodate minority interests. This is at first sight surprising and will be discussed in the next section.

## **Puzzling Pacts**

One of the central puzzles of the social pact literature is the growth of concertation processes in countries whose systems of industrial relations have regularly been classified as 'non-corporatist' or 'non-coordinated'

(‘pluralist’, ‘statist’, or ‘syndicalist’: Schmitter, 1974). Ireland and, to a lesser degree, Italy are prominent examples, but also noteworthy are Greece, Portugal and Spain (and between the ‘Accord’ of 1983 and the end of the 1980s, Australia). These countries represent anomalies for theories of corporatism that emphasize the importance of institutional prerequisites: well organized, centralized, internally coordinated and encompassing trade unions and employers’ associations equipped with considerable authority over their constituencies (Regini, 2000; Rhodes, 2001).

Second, in several countries the initiatives for corporatist macroconcertation have not been launched by social-democratic governments. This supports the thesis that the close nexus in previous decades between left governments and corporatist concertation reflected one specific variety of macroconcertation, namely Keynesian coordination (Traxler et al., 2001). Other varieties of corporatist policy-making and concertation, such as corporatist governance regimes or concertation at the sectoral level, have been common features of several continental European ‘negotiation democracies’ (*Verhandlungsdemokratien*) where social-democratic parties never held a dominant position. Corporatist forms of governance in flexibly coordinated market economies (Soskice, 1999) could for example be reconciled with the principle of subsidiarity, a central concept of ‘social capitalism’ as favoured by christian-democratic parties and firmly rooted in catholic social doctrines (van Kersbergen, 1995). Furthermore, the existence of liberal varieties of democratic corporatism — ‘corporatism without labour’ in Japan (Pempel and Tsunekawa, 1979) or with rather ‘weak labour’ in Switzerland — have shown that the partisan composition of government has never fully determined the modes of interest group representation.

However, in contrast to the sectoral corporatism that figured prominently in social capitalism, national social pacts aim at a hierarchical centralization of negotiations and coordination procedures: they represent processes of macroconcertation. This is even true when their outcome may largely consist in ‘organized decentralization’ (Traxler, 1995). For governments, one major rationale for a (re)centralization, de-differentiation and re-merger of political steering capacities is to overcome unintended consequences of segmented policy responsibilities. The centralist tendency of competitive concertation is a major cause of friction with institutionalized forms of delegated policy-making and implementation inherent in sectoral corporatism (Lehmbruch, 2000; Siegel, 2003). Though they represent rather different means of distributing and balancing political power, sectoral corporatism and the vertical separation (or interlocking) of power in federalist political systems represent both counter-majoritarian politics. This is the reason why both fit well with other features of consensual democracy (Lijphart, 1999).

Though tripartite macroconcertation aims at limiting the leeway for unilateral action, its political logic deviates from other counter-majoritarian institutions or constitutional veto points.

The initiation of social pacts in countries with pluralist interest group systems (Siaroff, 1999) has stimulated an intense debate about the preconditions of effective corporatist concertation, in particular the ‘politics of social pacts’ (Hassel, 2000, 2003). But as well as explaining how such pacts are initiated it is necessary to answer two important questions: first, whether and how these new processes are different from older forms of macroconcertation; second, how their effectiveness and efficiency can be assessed.

### **Old and New Varieties of Corporatist Macroconcertation**

Many systems of corporatist interest representation and policy-making have undergone substantial changes since the heyday of Keynesian concertation (Molina and Rhodes, 2002; Traxler et al., 2001). Most of these changes may be classified as ‘path-dependent’ adjustments to new socio-economic and political contexts, but others have been more radical. The decentralization of collective bargaining, most notably in Sweden (Traxler et al., 2001: 112–6), the changing role of social partners in the governance of corporatist social security institutions, as in the Netherlands during the 1990s (Hemerijck, 2003: 245–56), and the rise of new forms of concertation which are poorly embedded in pluralist systems of interest group representation are important examples of substantial, path-deviating changes that have transformed existing corporatist processes.

Table 1 presents an ideal-typical comparison of Keynesian concertation with new forms of supply-side concertation. This is not claimed to be empirically exact, since it cannot reflect the large variation among national ‘corporatist regimes’; the main purpose is to highlight the key differences between the two stylized varieties of macroconcertation. As this simplified overview indicates, there have been substantial changes in the political economy of corporatist policy-making since the 1970s — for example the dominant paradigms of monetary and economic policy — which have also transformed the incentive structures of collective actors.

Whereas effective Keynesian macroconcertation aimed at an explicit coordination between monetary, fiscal and wage policy, ‘monetarist coordination’ (Scharpf, 1987), driven by powerful independent central banks which follow a policy of (internal and external) currency stability, resembles an asymmetric and informal signalling game between the three policy areas (Hall and Franzese, 1998). As a consequence of the supranationalization of monetary policy authority at the European level and the legally defined competences and duties of the European Central Bank

**TABLE 1. Old and New Concertation: An Overview**

	Keynesian concertation	Competitive concertation/Social pacts
Main goals and issues	<ul style="list-style-type: none"> <li>• reduce inflationary pressures; inclusive macroeconomic coordination; wage moderation; extension and expansion of social rights</li> </ul>	<ul style="list-style-type: none"> <li>• secure or regain ‘competitiveness’; supply-side labour market reform; regulatory reforms in social policy; reduce non-wage labour costs; reduce public deficits and debts</li> </ul>
Political economy	<ul style="list-style-type: none"> <li>• at least some capital market restrictions exist; volume and directions of international capital transactions not a major concern</li> <li>• fight against inflation or stagflation dominant goal of government</li> <li>• ‘Keynesian coordination’ logic (Scharpf)</li> </ul>	<ul style="list-style-type: none"> <li>• liberalized financial markets; volume and direction of international capital transactions a major concern</li> <li>• fight against public deficits; efforts to foster employment growth</li> <li>• ‘monetarist coordination’ logic (Scharpf); ‘institutionalized monetarism’ (Streeck)</li> </ul>
Interest group system	<ul style="list-style-type: none"> <li>• centralized, internally coordinated and encompassing interest groups (unions and employers’ associations) a necessary precondition of concertation</li> </ul>	<ul style="list-style-type: none"> <li>• relevance of interest group systems uncertain; possible negative effects of strong industrial unions (Ebbinghaus/Hassel) and of employer disorganization</li> </ul>
Wage and labour market policy	<ul style="list-style-type: none"> <li>• wage moderation a means to contain inflation</li> <li>• increased social expenditure and de-commodification as part of the corporatist exchange logic and as compensation for wage restraint</li> </ul>	<ul style="list-style-type: none"> <li>• wage moderation a means for successful competition in international markets, flexibilization and partial deregulation of wage bargaining process (organized decentralization); decoupling of wage agreements in different sectors</li> <li>• flexibilization and partial deregulation of employment law</li> </ul>
Role of government	<ul style="list-style-type: none"> <li>• moderator and broker</li> <li>• direct side-payments (extension of social/employment rights, fiscal compensation)</li> </ul>	<ul style="list-style-type: none"> <li>• shadow of hierarchy</li> <li>• no direct fiscal compensation</li> <li>• ‘participatory’ compensation: integration of interest groups into policy-making process</li> </ul>
Logic of exchange	<ul style="list-style-type: none"> <li>• negotiation characterized by flat hierarchy</li> <li>• (short-term) positive sum games: externalization of compensation costs an unintended but accepted consequence</li> </ul>	<ul style="list-style-type: none"> <li>• hierarchical: asymmetric negotiation/room for manoeuvre</li> <li>• sequential bargaining; one-way short-term cooperation</li> <li>• ‘logic of information’ (Culpepper)</li> </ul>

within the eurozone, a supranational price stability regime now defines a 'quasi-constitutional' constraint for national macroeconomic policy. In EU countries, macroconcertation takes place in the context of a formal loss of sovereignty in monetary and a de facto loss of autonomy in other key policy domains.

In general, a supply-side oriented agenda that embraces issues of competitiveness, structural and microeconomic reform now tends to dominate. Keynesian coordination was designed to compensate trade unions for wage restraint by government policy to expand social rights and, as a consequence, increase the 'social wage'. This compensation strategy has been displaced by the logic of a Schumpeterian workfare state.

The process of competitive concertation is more asymmetric than in the context of Keynesian concertation in at least two respects. First, the power relations between the collective actors of capital and labour have changed: economic internationalization, and the liberalization of capital markets in particular, in combination with persistent structural unemployment, has weakened trade unions. When labour was in short supply, economic and employment growth were high, governments could reward wage restraint and monetary policy was accommodating, organized business had a strong interest to initiate concertation to secure moderate wage policies. In contrast, persistent and high unemployment, sluggish economic and employment growth, stability-oriented monetary policy and the liberalization of cross-border capital transactions has equipped capital with considerable implicit blackmail potential in the political process, while trade unions' membership base is eroding in most Western countries.

This asymmetry undermines the generalized exchange logic of social pacts. Within the context of competitive macroconcertation, unions are expected to offer first-step cooperative moves and concessions: wage restraint, flexibilization of wage bargaining institutions, reduction of social benefits or the liberalization of employment protection legislation. In return, they have to accept mainly uncertain and diffuse benefits for their members (Hassel, 2000). The main short-term motive for unions to join social pacts is to be *included* in reform processes (Culpepper, 2002): they can at least use their 'bounded influence' to shape the outcome. However, the short-term positive-sum game that figured so prominently in the classic tripartite Keynesian coordination, and which allowed a diffuse externalization of the costs of mutual compensation mechanisms, is no longer a viable option.

A central question of research on social pacts has been whether and how the 'organizational infrastructure' of interest group representation affects the operation of corporatist neoconcertation. Corporatist theory originally assumed that powerful and encompassing peak organizations

of employers and trade unions are key prerequisites of effective concertation; but recent social pacts have challenged this premise. The successful revitalization of concertation in the context of a serious crisis of the trade union movement in the Netherlands or in Finland and the failed concertation processes in Germany have raised another question: whether a severe organizational crisis of the trade union movement may even be a necessary precondition for effective competitive concertation.

In the German case, it can indeed be argued that unions with firmly institutionalized power bases in corporatist policy-making networks may be expected to resist social pacts (Siegel, 2003). The incentives to offer first-step concessions in a rather weak shadow of hierarchy are rather puny if unions can rely on strong secondary power resources provided by a dense net of corporatist institutions at sectoral level. Analysis of the German concertation process illustrates how the strong legacy of sectoral corporatism and a relatively weak central union confederation inhibit effective tripartite concertation. If autonomous collective bargaining is (implicitly) constitutionally guaranteed as in the Federal Republic, the government cannot credibly threaten to intervene in the wage bargaining process. As a result, at least two important preconditions for effective macroconcertation seem to be missing in the Germany variety of capitalism: strong government prerogatives in wage policy and a union confederation that is powerful in relation to its affiliates.

Another, closely related conclusion which could be drawn from the successful Dutch social pacts and the failed concertation attempts in Germany is that as long as unions do not perceive high unemployment and other indicators of economic and fiscal stress as 'objective indicators' that reflect deeply rooted structural problems, the problem definition among collective actors in the concertation process are unlikely to coincide and the likelihood of reform deals based on 'common interest definitions' is low. As long as unions can rely on strong secondary power resources (Traxler et al., 2001) and the costs of persistently high unemployment are cushioned by social insurance institutions (Hassel, 2003), the incentives to engage in competitive macroconcertation and to offer concessions are weak.

Given the changed goals and context of macroconcertation, one substantial difference between older forms of Keynesian coordination and more recent supply-side corporatism affects the roles of government representatives (Hassel, 2000). Instead of acting as moderators and brokers in the *comparatively* symmetric or at least less asymmetric negotiation context of Keynesian concertation, governments have to take over a role as a 'leading' and 'steering' negotiator within the process of competitive macroconcertation (Jochem and Siegel, 2003). An important condition for the effective working of social pacts is that governments are able to create a 'shadow of hierarchy' (Scharpf, 1997: ch. 9). One



implication is that a high degree of institutional pluralism defines an important barrier to the hierarchization of the political process and effective macroconcertation. Political systems in which the steering resources of the state are only moderately centralized are therefore biased against effective macroconcertation. Federalism for example can provide major institutional veto points for macroconcertation processes.

Consequently, institutional pluralism and firmly institutionalized legacies of sectoral corporatism tend to provide two types of institutional *veto potential* for the vertical and horizontal integration of corporatist macroconcertation. This has serious consequences for the political logic of social pacts and for strategies to analyse them. Whereas most studies have focused on the structural factors of labour-capital relations and interest group interactions, the changed context and goals of neoconcertation must bring the state back into the analysis.

### Complex Causality and Competitive Concertation

In the past decade there have been numerous empirical studies of social pacts. Most have focused on the institutional arrangements, their initiation and consolidation, and the underlying motivations of governments, employers' associations and trade unions in engaging in these new forms of macroconcertation. Those that address outcomes have often stressed that social pacts can contribute decisively to the reform of wage bargaining systems, labour markets and social policies, and that they therefore offer a comparative institutional advantage (Ebbinghaus and Hassel, 2000; Hassel, 2000; Sarfati, 2003). But I will argue that empirical evidence for the specific impact of competitive concertation in the form of tripartite social pacts on negotiated welfare state reforms is often quite meagre, far from robust and rather ambiguous.

One major reason is that most of the literature on social pacts has primarily engaged in inductive hypothesis-building, mainly on the basis of discrete case studies. There are numerous comparative studies of the impact of earlier varieties of corporatism on wage policy and labour market outcomes, but we lack more systematic comparative studies that would allow a more rigorous evaluation of the impact of social pacts. A more general problem is that such efforts would face serious and well-known problems of complex causality in macrosociological settings. My arguments cannot fill the most troublesome gaps in the current debate about the effects of social pacts, nor can they provide solutions to the problems of causal inferences in complex settings. My main goal is to discuss critically some of the prevailing commonplaces about the effects of social pacts and thereby to stimulate further debate about competitive concertation.

In addition to the more general problems of causal inference based on

small  $n$  studies, any research input which tries to ‘isolate’ the effect of social pacts on policy outcomes faces the difficulty that the issues dealt in these new concertation arenas involve complex problem structures. The main features of this complexity are, first, the high degree of interdependence between policy areas (such as wage and social policy) and second, the internal complexity of policy problems. Though it is exactly the insight into the complexity and interdependence of labour market and social policy problems that has paved the way for a de-segmentation of the policy process and for a re-merger of political steering capacities under the umbrella of social pacts, these complex interdependences cause specific difficulties for the analysis of the effects of competitive concertation on wage bargaining, employment policy and particularly social policy reform. This is especially true if the aim is not only to *understand* ‘what happened and why’ in a specific country, but also to draw lines of generalization by comparative inductive inferences. Certainly, Keynesian macroconcertation was also embedded in a world of ‘complex causality’ (Mayntz, 2002); but denationalization and the growth of modern welfare states, among other factors, have increased the complexity of national social and labour market policies. Let me briefly exemplify this by discussing the intended and unintended feedback effects of welfare state growth in OECD countries.

The growth of democratic welfare states has generated a multitude of social, economic and political effects (Schmidt, 1998: part III), some of which were neither planned nor anticipated. These unintended side-effects are of special interest when we analyse the political economy of social pacts. Regulatory and distributive welfare state policies have various impacts on adjacent policy domains like the regulation of labour law and wage bargaining processes. In addition, the growth of the welfare state has produced externalities that shape the agenda of reform policies and call for ‘second-order’ reforms (Kaufmann, 1997). The main challenge of these *second-order reforms* is to correct the unforeseen and unintended side-effects of policy choices of the past.

One of the most illustrative and well-documented examples of the unintended effects of welfare state expansion and extension can be seen in social insurance systems which offer medium to high levels of de-commodification and which are (primarily) financed through wage-related social security contributions. The growth of the social insurance state was the nucleus for the institutionalization of the basic pillars of social capitalism (van Kersbergen, 1995). The expansion of social insurance systems has fostered the development and stabilization of high-wage, diversified quality production regimes, generating strong incentives for capital-intensive, labour-saving and therefore productivity-increasing investment (Streeck, 1997). Thereby, it also contributed to a far-reaching substitution of labour by capital-intensive production. The growth of

social insurance institutions and the increase in social security contributions to finance them produced an *intended* 'productivity whip' effect on labour costs. However, this effect not only fostered the growth of and contributed to the stabilization of high wage regimes; its *unintended* by-product was its contribution to the development of segmented labour markets. High social security contributions in high-wage regimes tend to induce prohibitive wage costs for less productive sectors and labour-intensive service jobs. As a consequence, the expansion of the social insurance state, if paralleled by a high wage regime and a densely regulated net of employment protection laws, provides the source for structural insider-outsider conflicts in the labour market. These conflicts are amplified through a dense net of labour law regulation for those with permanent employment contracts. Germany's difficult path into the service economy serves as a stereotypical example of the unintended consequences of the intended expansion of the social insurance state and labour law regulation (Siegel and Jochem, 2000).

The unintended consequences of the expansion of a mainly insurance-based welfare regime are just one example of the *complex interdependence* between neighbouring and interrelated policy areas and the internal complexity of policies which have been on the agenda of social pacts. The increased internal complexity of welfare states adds complexity not only to the exchange logic and coordination strategies of social pacts but also to the analysis of their real 'net effects'.

External factors such as the amplified penetration of national political institutions, processes and policies by international processes aggravate the theoretical and methodological difficulties of tracing effects and causal chains. Though social pacts may result in agreements among the participants and pave the way for reform policies, their effect may not be strong enough to outweigh externally generated converse effects. Additionally, reform processes initiated by successful tripartite negotiations may face severe difficulties if they reach the stage of implementation. Hence there is no guarantee that agreements reached in tripartite concertation actually produce the intended policy effects. Numerous intervening variables must be considered in order to assess the relevance of social pacts for specific policy outcomes.

Inevitably, under circumstances of complex causality, it is a risky undertaking to assess the real net effects of social pacts. Hence *careful* inferences to establish causal relations are a major challenge in the search for robust conclusions about the effects of social pacts on policy outcomes. One excellent example that will be discussed in the next section is the causal nexus between the existence of social pacts and negotiated welfare state reforms in continental European countries in the 1990s.

## Tripartite Pacts and Negotiated Welfare State Reforms

How to find a theoretically plausible, methodologically consistent and empirically robust way to assess the effects of social pacts is of central importance for the literature on varieties of competitive concertation. This is in general true for any empirically well-informed answer to the question if, when and how political institutions and processes do matter for policy outcomes, but the assessment problem is of particular importance when we analyse the impact of tripartite social pacts on welfare state reforms. One reason is that some recent analyses have shown that concerted welfare state reforms have occurred without social pacts or other concertation efforts exerting a major role in the process: for example in Germany (Siegel, 2003), Austria (Talos and Fink, 2003), Sweden (Jochem, 2003) and most recently also the Netherlands (Hemerijck, 2003). In contrast to macroeconomic coordination and reforms of wage bargaining systems, the findings reported by Jochem and Siegel (2003) imply that the impact of tripartite social pacts on welfare state reforms was in many countries rather restricted, in some cases at least disputable and in others not observable at all.

Even those studies explicitly designed to test the impact of social pacts have failed to deliver robust empirical evidence that these have decisively facilitated major welfare state reforms, for example in pensions. A notable example is the otherwise very instructive contribution of Ebbinghaus and Hassel (2000) on 'striking deals' in Germany, France, Italy and the Netherlands. Close inspection of their empirical evidence shows that such deals do indeed seem to have contributed to wage bargaining reforms in the four countries; but most of the reforms in the domain of pensions policy (and also sickness benefits) included in their analysis were not successfully negotiated within tripartite concertation processes. Conversely, the four successful changes in the Italian pension system indicate that a rather exclusive, bilateral variety of corporatist concertation facilitated major welfare state reforms in a key social policy domain.

For the Netherlands, a paradigmatic case in the literature on new social pacts and 'concerted reform policies', Hemerijck has argued that the reshaping of the institutional pillars of social policy administration has not been based on 'concerted consensus': 'Unlike wage moderation in the 1980s, welfare reform initiatives in the 1990s were measured against the social partners' (Hemerijck, 2003: 263). Major reforms in the Netherlands 're-established political primacy in the area of social security' (Hemerijck, 2003: 204). In contrast to the widespread image of the Dutch consensual 'polder model', the institutional overhaul of the welfare state generated serious conflicts between central government and the social partners, culminating in mass protests organized by the unions in 1991.

The cumulative effect of the reforms of the 1990s has been to eliminate the role of corporatist governance regimes in which the social partners had a veto over a wide range of issues and were not strictly supervised by state authorities. Thus a major consequence of the welfare reforms of the 1990s has been to restore political responsibility to the central government or to executive boards that now monitor corporatist institutions. Whereas the Wassenaar agreement of 1982 marked the beginning of successful tripartite macroconcertation in the domain of macroeconomic policy, it was not succeeded by consensually negotiated institutional reforms of the welfare state, even though social security issues have been part of the exchange agenda in several Dutch social pacts.

The Dutch experience fits rather well with various strands of theories on welfare state reforms. In core social policy domains like old-age pensions and health care, the restricted room for manoeuvre in social policy-making beyond the golden age of the welfare state almost inescapably generates disputes over redistributive issues. The consequence is a more conflict-ridden policy process than in the period of welfare state expansion. However, redistributive issues do not necessarily preclude techniques of formal or informal consultation and negotiation between central government, organized business and unions. The undesired consequences of redistributive reform policies can be mitigated in several ways. Examples are various techniques of 'reform packaging', based on intensive but often rather informal compromise-seeking consultations between various collective actors. The central question for analysing the effects of social pacts is whether they provide a comparative institutional advantage for initiating welfare state reforms compared with other varieties of concertation and (informal) techniques of consultation and consensus building. If cutbacks in the welfare state involve redistributive issues, there are limits to a consensually negotiated and *coordinated* reform strategy. One key lesson that can indeed be drawn from the Dutch experience of restructuring disability and sickness programmes is that even in countries with high-profile social pacts, a strong tradition of consensus democracy, and where policy learning resulted in sequential reform processes that spilled over from one policy area to another (Visser and Hemerijck, 1997), severe conflicts among the social partners and between them and the government are unavoidable when redistributive issues have to be resolved (Hemerijck et al., 2000: 222).

A major example of the 'causal coupling' of tripartite concertation with successful welfare state reforms is the *Italian* pension reform of 1995 (Regini and Regalia, 1997; Rhodes, 2001). Under the shadow of European monetary integration and a fundamental crisis of parliamentary democracy, Italy's concerted reforms became one of the most often cited success stories for social pacts. The success of tripartite agreements in Italy is

impressive in many respects and is particularly remarkable since there is no tradition of effective macrocoordination, a contrast with the Dutch tradition of corporatism and consensual democracy. From the early 1990s onwards, corporatist neo-concertation was notably successful in the domain of incomes policy and the reform of the wage bargaining system (Regini, 2000). Yet the process which resulted in the major pensions reform of 1995 provides an excellent example of the difficulty in establishing a robust causal chain between tripartite macroconcertation in the form of social pacts on the one hand, and the outcomes of key welfare reforms on the other.

The pensions reform of 1995, adopted under a caretaker government headed by Lamberto Dini (who had held the position of Minister of Finance under Berlusconi), was mainly negotiated between the government and trade unions. *Confindustria* withdrew from the discussions at an early stage on the grounds that the reform did not go far enough (Regalia and Regini, 2004; Schludi, 2002: 125). Evidently the Dini government drew the lesson from the failure of its predecessor to push through a reform unilaterally, that the unions possessed a *de facto* veto power over pensions policy. Consultation with union representatives and an effort to negotiate the contents of pensions reform also offered a more effective alternative: to incorporate the unions into the reform process and to achieve an explicit agreement on pensions reform which would be backed by at least parts of the fragmented Italian union movement.

The success of this approach encouraged the conclusion that earlier reform initiatives had failed because governments had not sufficiently consulted trade unions and employers, whereas macroconcertation offered the decisive opportunity structure for the negotiation of a key pensions reform. This argument is broadly consistent with the influential blame avoidance theory: sensitive political reforms such as those of pensions, which involve an overall net loss for the majority of voters, are only likely to survive the political process and achieve implementation when backed by broad societal support, including major (informal) veto players such as unions and in some cases opposition parties (Pierson, 1996; Ross, 1997).

Yet blame avoidance can explain only a small part of the Italian pensions reform of 1995. The reform process involved an exclusive variety of corporatism, ‘bilateral concertation’. In contrast to corporatism without labour in Japan (but with similarities to corporatism without business in Australia between 1983 and 1989), the Italian pensions reform primarily involved a process of consultation and concertation *without capital*. Employers’ associations were only selectively incorporated into the consultation process, refused to sign the pensions compromise and criticized the outcome as inadequate. Thus it is impossible to claim that a tripartite social pact was the basis of pensions reform in Italy: it

reflected a bilateral exchange logic (Schludi, 2002). Such an exclusive consultation process under the shadow of a severe crisis of the political system in general and immense external adjustment pressure (EMU) should not be confused with a tripartite concertation process aimed at balancing and coordinating the goals and strategies of collective actors in a firmly institutionalized social pact.

The history of pensions reform in Germany provides further evidence for the thesis that major reforms in European welfare states may follow diverse negotiation and consultation processes, but not necessarily result from tripartite macroconcertation. Until the erosion of basic consensus over the major public social insurance pillar, selective forms of sectoral concertation among pensions experts had usually paved the way for successful pensions reforms in Germany (Hinrichs, 1998).

Up to the end of the German pensions consensus in the mid-1990s, major reforms of the main pillar of the German pensions system, the public social insurance schemes for workers and employees, were usually negotiated on the basis of a broad consensus among policy experts of the two main political parties (Social Democrats, SPD and Christian Democrats, CDU/CSU), unions and employers' associations and the experts on the social insurance boards. Yet these reforms were not integrated or negotiated within an overarching process of tripartite macroconcertation. Major pensions reforms did not usually contribute to a more generalized political exchange or coordination across policy domains. Rather, informal compromise-seeking strategies predominated. The major reform adopted by the *Bundestag* in November 1989 (*Rentenreformgesetz*, 1992) is a clear example: it was *not* negotiated in the shadow of explicit tripartite macroconcertation but was the result of a dense consultation process between a rather exclusive circle of pensions experts (Nullmeier and Rüb, 1993). The political process that resulted in the pensions reform law was therefore marked by exclusiveness and by well-functioning policy networks at the sectoral level.

From the mid-1990s the underlying consensus eroded incrementally, with symptoms of a 'defective negotiational democracy' (Siegel, 2003). Pensions politics became a conflict-afflicted terrain. Organized capital as well as the Liberal Party (FDP) and the Greens (*Bündnis 90/Die Grünen*) expressed preferences for either a gradual or a radical system shift from the traditional pay-as-you-go public pensions pillar. The declining consensus became obvious during the process leading to a hotly debated pension reform law adopted in 1997 under the centre-right Kohl government.

The failure of the two attempts to achieve a successful and efficient *Bündnis für Arbeit* (Alliance for Jobs) demonstrates the obstacles to negotiating social pacts in Germany. Detailed studies of reforms in the German welfare state have also shown that the political coalitions that enable (or



impede) such reforms vary over time and across policy areas: the institutional preconditions of wide-ranging macroconcertation are lacking.

Finally, the conflict-ridden social policy reform process in France is often seen as evidence that in the absence of tripartite concertation, unilateral initiatives by the government to cut back and reform social regimes evoke strong protests by defenders of the status quo. However, whether tripartite concertation could have enabled a reformist breakthrough must remain in the realm of counterfactual speculation. To argue that the existence of a social pact would have *decisively* paved the way for an agreed reform of French pensions is to assume that this is the one 'master variable' that explains the failure or success of major welfare state reforms. Social pacts would then, strictly speaking, have to be defined as a necessary *and* sufficient condition for such reforms.

Such an approach is theoretically dubious and immensely risky. In policy domains involving complex interdependency, quasi-deterministic causal assumptions are more than questionable. Given the many other theoretically plausible components that can affect the success or failure of pensions and other welfare state reforms, it is rather doubtful why the lack of tripartite concertation should be regarded as *the one* decisive deficiency of French politics. The lack of consensus-seeking negotiation strategies in general and the majoritarian temptation induced by a highly centralized political system with few constitutional veto points have frequently figured as prominent explanations for the adversarial bias of French reform politics.

This leads us to a more general issue in the analysis of social pacts and their impact on welfare state reforms. The many studies of the determinants of such reforms (for example Huber and Stephens, 2001; Pierson, 2001) have provided many rewarding insights into the processes of painful reforms in hard times. One of the major lessons drawn from qualitative as well as quantitative studies is that elegantly formulated and parsimonious explanations are not confirmed by a very multifaceted empirical reality (Siegel, 2002). This does not imply that we should regard tripartite social pacts as ineffective or unimportant for welfare state outcomes; on the contrary, they have become important characteristics of the political economies of many EU countries over the last two decades. In countries like Spain and Ireland, competitive concertation has explicitly covered issues of welfare state reform and apparently offered a consensual approach to welfare state recalibration. But there is still a severe problem in establishing robust causal links between the existence of a social pact and the outcomes of welfare state reforms. Though we may agree that negotiations between governments and social partners have played a major role in a large number of welfare states across Europe during the 1990s, this does not demonstrate that one specific type of negotiational mode, tripartite concertation, decisively paved the way



for successful reform. Rather, depending on country-specific actor constellations and institutional contexts, different negotiation processes have predominated in differently negotiated welfare state reforms.

## Conclusion

As a number of initiatives for competitive concertation during the last two decades have proved, corporatism, once again, is not dead (Schmitter, 1989), but has survived the turbulences of domestic and international changes and challenges. Corporatist structures and processes have remained central features of collective bargaining and policy-making in a number of European countries, particular in non-liberal, coordinated market economies. Because of the metamorphoses of corporatism (Traxler, 2001) research on the varieties of competitive concertation has mainly focused on the causes of and sources for changing patterns of corporatist bargaining and policy-making and for the initiation of social pacts in countries whose interest groups and interest groups systems were supposed to lack the preconditions for effective macroconcertation.

Beyond the 'thick description' of the origins, consolidation and goals of social pacts, however, systematic studies that assess the effect of social pacts on public policy reforms in a systematic way are still in short supply. Compared to the abundant comparative literature on the effects of corporatism on wage bargaining and labour market outcomes, comparative analysis of the effects of social pacts on welfare reforms remains a major task for future research.

An outstanding problem in the literature concerns causal inference in complex macrosocial settings. The causal link between tripartite social pacts and the reform of wage bargaining systems and labour market regimes is theoretically more plausible and seems empirically more robust than the nexus between tripartite concertation and welfare state reform. As the German and also the Dutch reforms of the 1990s make clear, even in continental European democracies where processes of competitive macroconcertation were established or re-established, tripartite social pacts were not a crucial ingredient for success. Some of the major Dutch and German (and also Austrian) negotiated welfare state reforms were chiefly based on compromises between coalition parties and various more or less formal processes of consultation and negotiation between the governments and the social partners. In Italy, major pensions reforms were based on a rather exclusive variety of bilateral concertation between governments and trade unions. Rather than following a systematic pattern where tripartite macroconcertation in the form of national social pacts figures as a major feature, welfare state reforms across Europe have been negotiated within a wide variety of processes and contexts.

This is bad news for those who believe that tripartite macroconcertation is a necessary precondition for negotiated welfare state reforms at national or even EU level. But it is good news for those who contest functionalist paradigms in public policy and industrial relations research. And this is good news for unions that are not part of a formal social pact but struggle to influence the process of welfare state recalibration by using traditional policy instruments, and rely on lower-level bases of power in sectoral forms of corporatist policy-making. Finally, this may be regarded bad news for governments that can neither rely on the institutional infrastructure to build effective social pacts nor deploy the power to diminish the role of potential veto players, notably unions, in the process of welfare state adaptation.

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