

Industrial Relations as a Source of Social Policy: A Typology of the Institutional Conditions for Industrial Agreements on Social Benefits

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Abstract

The article's starting point is that the now-conventional conceptualization of welfare state retrenchment as a shift from state provision of income support to market processes is misleading. Rather, state provision may be replaced by benefits negotiated collectively by trade unions and employers. As a first step to further investigate this development the article suggests a typology of institutional contexts within which industrial agreements on social benefits emerge. This typology is based on Thomas H. Marshall's distinction between political and industrial citizenship. Following the comparative method of the 'parallel demonstration of theory', the typology is applied to four countries where collective agreements on social benefits have recently been concluded, namely Denmark, France, the Netherlands and Germany. It is argued that, on the one hand, the state's activity or passivity in labour 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 and their historical trajectories in its frame of reference.

Keywords

Welfare state; Industrial relations; Citizenship; Denmark; France; the Netherlands; Germany

Introduction

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 1996: 335; Veen and Trommel 1999; Alber 2003: 63; Lindbom and Rothstein 2004: 7). The literature claims that markets increasingly determine individual well-being in dismantled

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welfare states and it normally treats retrenchment policies as moves to more privately organized welfare policies in which the market mechanism will gain importance (Pierson 1994: 15; Shalev 1996: 1; Clark 2003; Gilbert and Voorhis 2003: 3; Gilbert 2004, 2005). In his recent analysis of the 'Transformation of the Welfare State', Gilbert (2004: 5) characterizes the contemporary restructuring of welfare states as the 'triumph of capitalism'. On the one hand, this leads researchers to argue that, due to the decision in favour of the free-market model, trade unions and employers' organizations lose competencies in the provision of welfare (Molina and Rhodes 2002: 306; Palier 2005; for a critique see Béland 2001). On the other hand, it is suggested that the social cohesion of society and solidarity are reduced because redistributive public benefits are cut and replaced by dispersed competition (Oorschot 1998; Bergmark *et al.* 2000; Ullrich 2002; Greve 2004).

The problem with these assessments on the effects of welfare state restructuring is that they do not take account of studies pointing to the fact that *collective agreements* between trade unions and employers on social benefits have recently been expanded (for example, Veen 1998; Hyde *et al.* 2003; Veen 2005: 8, 50; Ebbinghaus 2006; Trampusch 2006). This literature is confirmed by studies of the European Industrial Relations Observatory (EIRO) which reveal that in various Continental and Scandinavian welfare states collective agreements are increasingly being used to regulate and finance welfare issues (EIRO 1998, 2001, 2004a, 2004b). The EIRO studies show that the self-regulatory role of the collective bargaining partners has recently been strengthened, especially in Denmark, France, the Netherlands and Germany. This has happened mainly in the domains of occupational pensions, early retirement and further training (EIRO 1998, 2001, 2004a, 2004b).¹

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 income and solidarity losses caused by retrenchment of public benefits may be compensated for by 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 generosity of 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. Against this background the article addresses the question: under which conditions do industrial relations become a source of social benefits?

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 which is 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 labour 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. This typology is applied to Denmark, France, the Netherlands and Germany – thus, to countries where collective agreements on social benefits have recently been concluded. The comparative approach demonstrates the fruitfulness of the suggested typology by applying it to ‘a series of relevant historical trajectories’ (Skocpol and Somers 1980: 176). In accordance with Skocpol and Somers (1980: 176), the logic of the comparative method the article uses can be called ‘the parallel demonstration of theory’.²

The article is divided into three parts. In the first 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 second section applies the the typology to Denmark, France, Germany and the Netherlands. The third section summarizes my findings and discusses them in the context of the political dynamics which are currently at work both regarding retrenchment policies and industrial relations.

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, 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.³ With Marshall, we can say that trade unions and employers can use *political citizenship*, that is, political activities – in Stein Rokkan’s (1996) words, the ‘electoral channel’, in Claus Offe’s (1984) 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 (1964: 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'.⁴

With regard to collectively negotiated welfare benefits – which are at the focus of this article – 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.⁵ 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 (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 labour relations, namely state intervention in collective bargaining⁶ and/or tax, labour 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 2003). 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: 66–7) 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 that 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 precede 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, on the one hand, by the state's behaviour in labour relations, hence by its role in collective bargaining and in enacting tax, labour and social security legislation intended to support collectively negotiated benefits – in short, in terms of whether the state is active or passive in labour relations – and, on the other hand, by the timing of the institutionalization of political and industrial citizenship rights (see figure 1).

Figure 1

Typology of institutional contexts within which collectively negotiated welfare benefits evolve and develop

	Active state	Passive state
Territorial interest representation (political citizenship) advanced functional interest representation (industrial citizenship)		
Functional interest representation (industrial citizenship) advanced territorial interest representation (political citizenship)		

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 precedes the institutionalization of industrial citizenship, trade unions and employers will favour 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 labour 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 precedes the institutionalization of political citizenship, trade unions and employers will be 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 sum, social rights can be advanced differentially and the sphere of industrial relations may not be ignored when analysing the degree of social benefits that society enjoys. 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.

Collectively Negotiated Benefits in Denmark, France, the Netherlands and Germany

Recent studies of the European Industrial Relations Observatory reveal that in various Continental and Scandinavian welfare states collective agreements are increasingly being used to regulate and finance welfare issues (EIRO 1998, 2001, 2004a, 2004b). Empirical evidence which the author has collected on the basis of these studies show a strengthening of the self-regulative role of the collective bargaining partners in the domains of occupational pensions, early retirement and further training in Denmark, France, the Netherlands and Germany.⁷ The evidence shows that in all four countries collective agreements on welfare schemes have been concluded. Nearly always these schemes have been additionally supported by state measures affecting tax, social security and labour law.

Tables 1 and 2 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 these four countries.

In the following section, I argue that we can apply the suggested typology to the four cases (figure 2). 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.⁸ Industrial citizenship rights were institutionalized before political citizenship rights. The first major national agreement was concluded in 1899, whereas parliamentarism,

Figure 2

Typology of institutional contexts within which collectively negotiated welfare benefits evolve and develop

	Active state	Passive state
Territorial interest representation (political citizenship) advanced functional interest representation (industrial citizenship)	France	Germany
Functional interest representation (industrial citizenship) advanced territorial interest representation (political citizenship)	Netherlands	Denmark

Table 1

Role of the state in collective bargaining (mainly government)

	Denmark	France	Germany	Netherlands
General	Corporatist (Ebbinghaus 2006; Crouch 1993; Windmuller 1987) Self-regulation principle of the bargaining model; tradition of parliamentary intervention to resolve a deadlock in collective bargaining since 1933; parliament may prolong agreements, adopting the mediator's proposal although bargaining partners reject this (Scheuer 1998: 151); decentralization (Iversen 1996)	Contentious, mainly firm-level bargaining on wages and working time; state interventions, e.g. Auroux laws of 1982 (Ebbinghaus 2006; Crouch 1993; Windmuller 1987)	Cooperative (Ebbinghaus 2006; Crouch 1993) Freedom of Collective Bargaining (<i>Tarifautonomie</i>) restricts state intervention in wage bargaining; government respects the principle of <i>Tarifautonomie</i> and does not interfere in the collective bargaining process.	Cooperative; centralization by recommendations of the bipartite Foundation of Labour and the Tripartite Social and Economic Council; state interventions (Ebbinghaus 2006; Crouch 1993; Windmuller 1987)
Procedural extension (e.g. based on the 'erga omnes' principle)	Yes, but voluntary, request of social partners; law to be enacted by the government; no minimum requirements for extension 'Absence of extension' in practice (Traxler 1999: 75)	Since 1936 (<i>procédure d'extension, procédure d'élargissement</i>) Yes, almost automatic (<i>ex lege</i>) but formal request of Ministry of Labour or social partners required; executive order by the Minister of Labour 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 'Pervasive extension practice' (Traxler 1994, 179)	Yes, request of at least one party to the collective agreement; declaration by the Ministry of Labour 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 (<i>Tarifausschuss</i>) (EIRO 2001) 'Limited extension practice' (Traxler 1994: 179)	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)

Table 1

(Continued)

	Denmark	France	Germany	Netherlands
Enforcement (mediation, conciliation, arbitration)	Corporatist mediation: 1970–4; 1983–4; 1987–90 (Traxler 1999). ‘Common view that collective conflicts should be handled by the organizations, not by public authorities’ (Kristiansen 2002: 6)	‘Density of legal and regulatory provisions’; however, public intervention is rare (Jeamaud 2002: 9)	Role of the state is seriously restricted (Zachert 2002: 4)	Statist arbitration: 1970–1, 1973–4, 1976–8; 1981–2 (Traxler 1999)
Substantive minimum conditions	No minimum wage by law but regulated by collective bargaining	Minimum wage by law	No minimum wage by law	Minimum wage by law
Tripartite income policy, political exchange	Tripartite income policy in 1987; social pacts in the 1990s	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	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 (<i>Konzertierte Aktion</i>), under the Kohl government in 1995/6 (<i>Bündnis für Arbeit</i>) and under the red-green government between 1998 and 2003 (<i>Bündnis für Arbeit</i>)	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 1997; Hassel 2006)
Role of the State in sum	Passive	Active	Passive	Active

Source: Compiled by the author.

Table 2

Timing of the institutionalization of political and industrial citizenship and of the formation of public insurance schemes

	Denmark	France	Germany	Netherlands
Timing of political integration and industrial Integration	Industrial integration predates political integration	Political integration predates industrial integration	Political integration predates industrial integration	Industrial integration predates political integration
Political integration				
Association right	1849	1884	1869	1855
(Manhood suffrage (50%))	1849	1848	1871	1896
Parliamentarism	1901	1875	1919	1868
Proportional representation	1918	1919	1919	1918
Industrial integration				
Freedom of association	1849	1884	1918	1872
Strike right	1849	1864	1918	1872
Collective bargaining	1899	1919	1918	1907
Corporatist inclusion	1936	1936	1920	1919
	1899: September Compromise (two years before the introduction of parliamentary democracy)			

Table 2
(Continued)

	Denmark	France	Germany	Netherlands
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)	4.7	18.4	49.9	2.0
Year in which an obligatory public pension insurance scheme was introduced	1922	1910	1889	1913
Year in which an obligatory public sickness insurance scheme was introduced	1933	1930	1883	1929
Timing of public insurance schemes and collective bargaining	Collective bargaining predates public insurance schemes	Public insurance schemes predate collective bargaining	Public insurance schemes predate collective bargaining	Collective bargaining predates public insurance schemes

Notes: Political integration (Ebbinghaus 1995), Association right: right to form associations, Manhood suffrage (50%): first election at which at least 50 per cent of male adult population were enfranchised; Parliamentarism: cabinet responsibility towards parliament; Proportional representation: Industrial integration (Ebbinghaus 1995); Freedom of association: right to form a trade union, strike right: right to strike action, collective bargaining: first major national (or central) collective agreement, corporatist inclusion: statutory works councils or national labour conference.
Source: Rows 2 and 3 (Ebbinghaus 1995); row 4 (Armingeon 1994: 81, table 3.3); rows 5 and 6 (Alber 1987: table A7).

or rather, a cabinet responsible toward parliament, was only introduced in 1901 (table 2). 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 per cent of the population participated in elections (table 2).

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 2). In addition, in the year in which freedom of association was legally granted, in 1884, 18.4 per cent of the population already participated in elections (table 2).

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 per cent of the male adult population were enfranchised (table 2). In addition, in the year in which freedom of association was legally granted, in 1918, 49.9 per cent of the population already participated in elections (table 2).

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 2). In addition, in the year in which freedom of association was legally granted, in 1872, only 2.0 per cent of the population participated in elections (table 2).

The typology suggests that countries in which the state plays an active role in labour 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 note 7): 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 is 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 labour 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 2). 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 in which 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 labour 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).⁹ In Denmark and Germany, the principle of free collective bargaining permits state intervention in labour 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 1). 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 '*erga omnes*' principle),¹⁰ 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 *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 been 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 '*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 is intended to keep the political actors from intervening in matters which traditionally fall under the competence of the social partners (Jørgensen 2004). In the Dutch '*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 2005).

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). 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' (2001: 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 2004).¹¹ A large share of the pension funds' resources has been invested in the stock market and is now suffering from a shortfall because of dramatically reduced share prices.

Conclusion and Prospects

Based on Marshall's conception of political and industrial citizenship, the article 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 labour relations, namely its role in collective bargaining and its role in enacting measures on tax, social security and labour law which support collectively negotiated benefits; the second dimension is the timing of the institutionalization of political and industrial citizenship rights. Following the comparative method 'parallel demonstration of theory', this typology has been applied to four countries: Denmark, France, Germany and the Netherlands.

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 labour relations strongly affect actors' preferences in the proper private-public mix to the provision and financing of welfare. Gilbert's (2004: 101; italics by Gilbert) statement that 'the meaning of *privatization* is . . . defined as a change in the initial organization of state and market responsibilities for social welfare

toward more market and less state' needs to be supplemented by a 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.

These conditions are not only shaped by the historical trajectories of the government's behaviour in industrial relations and the timing of the institutionalization of industrial and political rights – as I have argued in this article – but also by the *current politics* of welfare state retrenchment and of collective bargaining. With reference to these politics, complex, sometimes also contradictory dynamics may evolve which further studies should take into account.

Prima facie, collectively negotiated benefits may be of interest to state actors, trade unions and employers (Ståhlberg 2003: 190; Ebbinghaus 2006; Trampusch 2006). Governments may use collective agreements as an instrument of blame avoidance *vis-à-vis* the electorate in times of public cutbacks while collectively negotiated benefits may relieve the state of some responsibility for supporting social cohesion through public welfare. On the trade unions' side, collectively negotiated benefits may represent a way to stabilize collective bargaining systems through the introduction of new issues in collective bargaining; on the employers' side, collectively negotiated benefits may be attractive due to deferred wages, that is, wage restraint in exchange for welfare. However, the use of collective agreements as a way to finance and regulate social benefits may be a less consensual phenomenon than these rational interest calculations of the actors involved suggest.

Although the blame-avoidance hypothesis is supported by the Dutch case, where the government has recently strengthened its funding of collectively negotiated benefits (on which, see Cox 2001: 484–5; Trampusch 2006: 126) and although industrial agreements on social benefits have gained increasing attention in the political process in France (Dufour 2004) and Germany (Trampusch 2006), it remains unclear whether collectively negotiated social benefits lift the burden of the costs of public welfare from governments. According to an OECD analysis (OECD 2005), tax breaks for private welfare (e.g. occupational pensions) leads to increasing cost for public finances in the long term. This suggests a need to analyse the fiscal limits of an expansive role for collectively negotiated welfare in order to understand the reform strategies of governments.

For trade unions benefits by collective agreements are a mixed blessing. On the one hand, they may represent a way to recruit members, revitalize organizational resources and compensate for losses in public welfare, as is pointed out by Oorschot (1998: 200) for the Netherlands or by Øverbye (1998: 185) and Madsen (2003) for Denmark. On the other hand, within a system of collectively negotiated benefits the extent of social security is limited and more selective in contrast to social security provided by nationwide, state-controlled, compulsory institutions. Workers who are employed in prosperous and high-technology sectors are rewarded with better packages of wage and welfare compensation. Unskilled workers with a weaker bargaining position will be thrown back to needs-based social assistance programmes

(Cox 2004: 214). Collectively negotiated benefits may also reflect and reinforce inequalities in the workplace; they may disadvantage women and workers in atypical employment; they may give rise to distributional conflicts between labour market insiders and outsiders.

Other contradictory dynamics may evolve from the fact that recent cases of concession bargaining destroy encompassing industrial agreements rather than supplementing social rights. In this context, the sustainability of collectively negotiated welfare schemes may be constrained (and probably lowered) by the general trend of the dismantling of centralized collective bargaining systems, with collective bargaining even accelerating the move to outright market liberalization by transferring wage bargaining to the firm level and the workplace. Additionally, small and medium-sized firms may not be able and willing to pay the costs of welfare benefits and, hence, demand to opt out of industrial agreements; a dynamic which in 2004 has evolved in the German case when the protest and resistance by small and medium-sized firms has prevented legislation that would have established sectoral funds to finance and regulate training.

In sum, the question whether industrial agreements may become a source of social policy can only be answered when taking into account the empirical evidence on the politics which are currently at work regarding both public policies and collective bargaining. However, the typology suggested may give us a plausible theoretical reason why we should systematically include industrial relations in our frame of reference in order to understand current retrenchment policies and their effects on individual well-being and the social cohesion of society. In addition, the comparative analysis of the Danish, French, German and Dutch cases gives us pieces of evidence that the analysis of welfare-state reform might be enriched by examining the self-regulatory role that unions and employers may at times adopt through providing welfare on the basis of collective agreements.

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Notes

1. Note, collective agreements also refer to other issues like parental and maternity leave (Denmark, Netherlands), unemployment insurance/active labour 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) (EIRO 1998, 2001, 2004a, 2004b; www.eiro.eurofound.eu.int).
2. Skocpol and Somers (1980) distinguish between three logics of the comparative method in macrosocial inquiry: the parallel demonstration of theory, the contrast of contexts, and macro-causal analysis.

3. My analysis follows Bernhard Ebbinghaus's (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: 56–7) argues that both working-class and labour 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 labour 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.
4. Why Marshall? With the demise of welfare expansion and the general trend of welfare state restructuring, which affect heavily both organized capitalism and trade unions, 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 2003; 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).
5. 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: 216–20).
6. To conceptualize the role which the state (including, among others, government agencies, federal and state governments, and labour courts) plays in industrial relations, the literature distinguishes between different functions the state can bring to collective bargaining (cf. Windmuller 1987; Keller 1991; Bean 1994; Traxler 1994). If we compile the accounts of Windmuller, Traxler and Bean, 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. Secondly, it may determine *substantive* issues like wages and conditions of employment.
7. On the basis of www.eurofound.eu.int/index.html, www.world-pensions.org, and secondary literature, the author has compiled empirical data on the development of collective agreements on occupational pensions, early retirement and further training in Denmark, France, Germany and the Netherlands. The data also sketch the development of state measures affecting tax, social security and labour law which support these agreements. The data are published in Trampusch 2007 (table 3). Due to the word restrictions of this journal the tables have not been attached to this article.
8. According to a recent study of the Danish Ministry of Labour (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 *et al.* 1997: 37).
9. An instructive example of the importance of legal obligations is 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.
10. 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 2005).
 11. Robbert van het Kaar (2004: 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.'

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