

## CHAPTER 8

# RE-EMBEDDING PUBLIC POLICY: DECENTRALISED COLLABORATIVE GOVERNANCE IN FRANCE AND ITALY

*Pepper D Culpepper*

### INTRODUCTION

One of the most prominent innovations of policy-making in the advanced industrial countries over the past 20 years is the proliferation of institutions of decentralised collaborative governance (OECD 2001, 2003). Institutions of collaborative decentralised governance are defined by three distinctive characteristics: they promote routine interaction in a given policy domain among governmental and non-governmental actors; they operate primarily at the sub-national level; and they involve no monopoly by state actors of either problem definition or methods of implementation. These institutions embody the trends identified in the introduction to this volume toward both a territorial diffusion of policy-making responsibility (away from national governments) and a blurring of organisational roles between public and private actors.<sup>1</sup> Institutions like these, which involve decentralised sharing of policy-making authority among the private and public sectors, are now established in a majority of the advanced industrial countries.<sup>2</sup>

Decentralised collaborative governance, however, is more likely to be instantly recognisable to bureaucrats and lawyers than to political scientists, because little work in political science has linked these developments to existing theories of politics.<sup>3</sup> This is startling, since decentralised collaborative governance entails a rethinking of both components of the state-society dyad; it alters the level and character of state intervention and oversight, and it foresees an increased role for societal engagement in public governance institutions. The theoretical properties of state-society relations have long been a central topic of

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- 1 The author thanks Felipe Barbera, Tito Bianchi, Archon Fung, Gary Herrigel, Richard Locke, and Peter Hall for comments on earlier drafts of this chapter; thanks also to Elena Fagotto for research assistance and the Weil Program at the Kennedy School of Government at Harvard University for financial support.
  - 2 Such experiments are currently established in Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Spain, Sweden, the United Kingdom and the United States (Balloch and Taylor 2001, OECD 2001 and 2003).
  - 3 The silence of political science on these institutional innovations contrasts sharply with the close attention they have received in legal scholarship. See eg Freeman (1997), Dorf and Sabel (1998), Ayres and Braithwaite (1992).

interest in comparative politics. If these institutions are indeed reshaping the way the public and private actors work, as several contributions in this volume suggest they are, then the relevant question for political scientists is whether or not existing theories can account for the variation in outcomes between successful and failed instances of decentralised collaborative governance.

Success is a meaningless metric if left undefined. I define the success of institutions of decentralised collaborative governance by two characteristics: *durable* establishment of institutions that promote regular exchange among actors in the public and private domains, and an *observable change in the co-operative propensities of local actors*. These institutional experiments are established with an eye to resolving various real policy problems (lowering unemployment, increasing investment, etc). Whether or not they achieve those policy goals is indeed an important question, However, it is one that also depends on the suitability of the tool of decentralised collaborative governance for solving those policy problems, which will vary across policy areas. *Qua* institutions, however, the claim of their proponents is that they succeed in getting competing actors to talk to each other, and that by so doing they positively improve their likelihood of co-operating with each other. In this chapter I am interested in the preliminary question of what distinguishes those institutions that meet those goals from those that do not. Their suitability for solving various policy problems is an open for future research.

Two prominent literatures in political science seem most likely to account for empirical developments in this new field of policy-making. First, these arrangements may be viewed as another instance of sectoral neo-corporatism, about which we know a great deal already (Berger 1981, Goldthorpe 1984, Cawson 1985, Keeler 1987). This, in fact, is the most likely alternative, since institutions of decentralised collaborative governance are found most frequently in the areas of local economic development and active labour market policy, two policy domains familiar from work on neo-corporatism (Lehmbruch 1984). If these apparent institutional innovations show the same organisational and political regularities predicted by sectoral corporatist theory, then that increases our confidence in the findings of that literature and generates clear expectations about the conditions under which decentralised collaborative governance should thrive. There is a second strand of analysis whose findings may explain variations in collaborative decentralised governance: recent work on 'empowered participatory governance' (EPG), a literature most closely associated with the work of Archon Fung and Erik Olin Wright, who examine the correlates of success in institutional experiments in deliberative democracy (Fung and Wright 2003, Fung 2004, Heller 2000). The EPG literature looks from school reform in Chicago to decentralised development planning in the Indian province of Kerala and sees a similar set of design principles focused on the devolution of formal decision-making power to institutions that foster sustained citizen participation and deliberation. EPG theorists explicitly delimit their findings to proposals whose aim is to empower local citizens to participate in policy-making, and few of the innovations that fall under the rubric of decentralised collaborative governance take increased participation as their unique goal. It is, however, worth considering whether the findings of EPG theorists in the narrow set of cases that genuinely

aim to increase individual participation generate portable expectations about other policy innovations that share a similar institutional architecture.

This chapter examines the propositions of these literatures in light of two of the most sweeping instances of collaborative decentralised governance observed in Europe in the 1990s: the attempted revolution in French vocational training policy and the successful revolution in Italian economic development policy. To foreshadow the argument that follows, these literatures fail in interestingly antagonistic ways when confronted with concrete cases of decentralised collaborative governance. Sectoral corporatism is too cynical. It expects success when organisations are insulated from membership discontent and when states compensate these organisations by aiding them materially against rival groups (Keeler 1987: 9). Organisations in decentralised collaborative governance are not in fact most successful when they demobilise their members, but when they are able to promote local co-operation by mobilising their members and promoting internal deliberation (Baccaro 2002a). EPG, however, is too dismissive of the old-fashioned organisational resources emphasised in sectoral corporatism. For the EPG authors, secondary associations carry with them the old, adversarial ways of doing things (lobbying parliaments and rallying supporters), and these associations 'have to acquire entirely new kinds of organisational competencies in order to function effectively in collaborative governance arrangements' (Fung and Wright 2003: 281). However, decentralised collaborative arrangements that are constructed without the pre-existing organisational capacity of secondary associations are likely to fail, because only such existing organisational capacity allows individual participants to overcome the (inevitable) cases of free-riding that they observe among other participants in the early stages of institution building.

In the next section of this chapter I explore in more detail the characteristics of decentralised collaborative governance and the expectations with respect to it of both sectoral corporatism and of empowered participatory governance, arguing that the polarised debate between these two literatures obscures the fruitful theoretical ground that lies between their extremes. In the following two sections I then present evidence from the two national episodes studied, those of French training reforms and Italian territorial pacts, comparing the observed experiences with theoretical expectations. The final section concludes. **AQ OK???**

## THEORIES OF STATE AND SOCIETY

Policies establishing decentralised collaborative governance institutions aim to use collaborative institutions at the sub-national level as the new instruments for local actors to devise solutions to overcome their joint policy problems. They differ from more traditional sectoral corporatist arrangements in two principal ways: the scope of private actors involved and the level of delegation of policy autonomy to these actors. Sectoral corporatism explicitly involved the incorporation of a *limited* number of groups into the policymaking process; these groups received 'certain benefits in exchange for their co-operation and their restraint in the articulation of demands' (Keeler 1987: 9). In contrast, many of the

reforms based on decentralised collaborative governance – which usually attempt to overcome information and co-ordination problems in local labour markets or economic development – actively involve multiple actors from civil society and from business (Giguère 2003, Greffe 2002). Secondly, groups involved in sectoral corporatism received seats on administrative bodies charged with implementing the details of policies decided by state policymakers (Lehmbruch 1984, Keeler 1987). New instances of collaborative decentralised governance are empowered not merely to implement policies decided at the centre, but to develop their own analyses of local problems and proposed responses to them. They are not merely bodies of decentralised implementation, but of decentralised policy design, in which ‘public and private actors share responsibility for the creation of public goods’ (Considine 2003: 60).

The two institutional reforms examined in this chapter shared a common set of objectives: to build institutions of public/private collaboration that could provide collective goods at a local level and to change the cooperative propensities of local actors. Their significance lies in the stark reversal of direction they represented in state society-relations in two centralised policy-making systems previously considered poor social terrain for the establishment of corporatism: France and Italy (Cameron 1984, Regini 1984). The first case is the 1993 French reform that created multipartite institutions to develop proposals for regional education and training initiatives that aimed to spur private investment in human capital. The second is the institution of territorial pacts as the cornerstone of Italian development policy in the 1990s. The development pacts sponsored the participation of local secondary associations and politicians in proposing territorial development plans, with the goal of promoting ongoing co-operation among these actors at the territorial level.

In both cases, the goal of overcoming past failures of private co-operation was primary: national policy-makers posited that failures of private co-operation were central causes of the problems of youth training policy in France and of economic development in disadvantaged regions of Italy (Comité de Co-ordination 1996 and 1999, Barca 2001). The co-operative problem at the heart of apprenticeship training is well known but difficult to solve (Soskice 1994). Individual employers have no incentive to invest in the general skills of their own workers, when they could just as easily hire an apprentice trained at another company, thereby depriving the training company of its investment in the general skills of its apprentice. Thus, firms underinvest in general skills and then complain of skill shortages that impede their productivity (Becker 1964). The co-operative problem here is convincing employers simultaneously to move from an equilibrium based on high-poaching, low skills, to one based on low-poaching, high skills. In southern Italy (the so-called Mezzogiorno), small companies have shown a systematically lower propensity to develop institutions that provide collective goods, which is the comparative competitive strength of industrial districts in northern and central Italy (Signorini 2000). This failure is often attributed to the weak propensity of economic actors to trust each other in the Mezzogiorno.<sup>4</sup> The

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4 Famously in Putnam (1993).

explicit goal of the development pacts was to change the orientation of the economic actors so as to create the trust necessary to support this collective good (Cersosimo 2000: 288).

The proliferation of these institutions represents a challenge for comparative politics only if they infirm the expectations of existing theories of state-society relations. The most prominent theoretical work that should apply to these institutional innovations is those of sectoral corporatism and empowered participatory governance, but the fit of each is imperfect. As noted above, decentralised collaborative governance involves a greater number of actors from civil society and a wider delegation of state policy authority to these actors than is foreseen in classic works on sectoral corporatism. Empowered participatory governance takes as one of its defining characteristics the ambition to empower private individuals through the creation of deliberative fora for policy-making, and this goal is not explicit in either reform studied here (nor in most of the economic and social policy reforms that fit this paradigm in the OECD countries).<sup>5</sup> Nevertheless, work in these two theoretical traditions comes closest to approximating these new institutional configurations, and their prior expectations of the preconditions of success must be the null hypotheses for any investigation of them.

Neo-corporatism has long been the theoretical foil to pluralism in comparative politics and thereby the obvious referent for American observers looking at European systems of interest intermediation (Schmitter 1974). The ideal typical corporatist interest group system was defined by Schmitter as one in which interest groups are 'organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories recognised and licensed ... by the state and granted with a deliberate representational monopoly within their respective categories' (*ibid.*: 93–94). Within this body of theory, it was particularly the peak associations of employers and labour unions that were designated by states as privileged interlocutors. While we have seen that decentralised collaborative governance breaks this representational monopoly, in practice it almost always includes the sub-national representatives of unions and employers' associations. Moreover, unlike incomes policies (in which the competition is often zero-sum), the sorts of labour market and economic development policies in which we observe the development of collaborative decentralised governance across the industrialised countries are those in which sectoral corporatism proved stable over time, given the greater potential convergence of interest among actors (Lehmbruch 1984: 63).

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5 Fung and Wright (2003: 39), however, posit broad applicability of the institutional principles of EPG as a means to solve contemporary problems of policy-making: 'the diversity of cases – across policy areas, levels of economic development, and political cultures – discussed in this volume suggests that EPG would usefully contribute to a large class of problem-solving situations ... [P]erhaps the burden of proof lies on those who would oppose more participatory measures.' It is these sorts of problem-solving situations, in which contemporary states in the OECD are turning to greater civil society involvement, that this chapter seeks to assess the ability of EPG tenets not just to increase participation but to solve public problems.

The keys to success in sectoral corporatism are twofold: organisations must be able to discipline their members so as to restrain them, and states have to provide organisational benefits to compensate organisations for their potential loss of membership (Keeler 1987: 9). Organisations that restrain their members' demands are vulnerable to competition for members from more radical groups, excluded from corporatist arrangements, which are not bound by the deals made through those arrangements (Sabel 1981). Thus, the organisational mechanism that makes the corporatist machine go is hierarchy; and the state mechanism that keeps it going is insulating those organisations from membership discontent, whether through material resources or legal preferences.

This is a very different set of prerequisites for success than that argued for in the literature on empowered participatory governance (EPG). In addition, it is worth noting the institutional fit between the tenets of EPG and the characteristics of the collaborative governance experiments undertaken in France and Italy during the 1990s is quite striking. Fung and Wright enumerate three design features of EPG institutions: devolution, centralised supervision and coordination, and state-centrism. In its first feature, the devolution of power, EPG institutions aim to bring local knowledge to answer public policy problems: this 'entails the administrative and political devolution of power to local action units...charged with devising and implementing solutions and held accountable to performance criteria' (Fung and Wright 2003: 20). The aforementioned performance criteria foreshadow the continuing role of the central state in observing performance and circulating information among these devolved actors. The third characteristic is that these institutions 'colonise state power and transform formal governance institutions', formalising these deliberations rather than keeping them *ad hoc* (*ibid*: 22). To be clear, neither Fung and Wright, nor any of their collaborators, hold that these conditions of institutional design are *sufficient* to promote the deliberative democratic practice that they espouse. However, their tentative suggestion is that these features – which are also the core institutional features of the decentralised collaborative governance arrangements adopted in France and Italy – might be the backbone of EPG arrangements in a variety of settings.

In EPG, the prescriptions for success are the exact opposite of those in sectoral corporatism. Existing interest organisations are said to be hamstrung by their adversarial interest group capacities. In other words, they are generally skilled at trying to 'influence peak policy and legislative decisions [by swaying policy-makers, while] participatory collaboration requires competencies of problem-solving and implementation' (*ibid*: 281). Why are the organisational capacities of collective problem-solving fundamentally different than those of contestation? This appears to be a problem both of organisational practice and of cognitive framing. The capacities of arm-twisting and contestation do not directly translate into those of having local knowledge and using it to bridge local political divisions. Established interest organisations, especially those that are federated affiliates of national organisations, are the least likely to be able to play these roles because of their ongoing history of adversarial practices. Just as they discount existing organisational capacities, so too do EPG theorists constantly seek to encourage 'popular involvement as a counterweight to entrenched officialdom'

(Isaac and Heller 2003). Thus, the only way that the state has a useful role under EPG is in circulating information among existing (decentralised) experiments and in setting accountability standards (Fung and Wright 2003: 21–22). The state as network centre replaces the state as bureaucratic apparatus under EPG.

Both sectoral corporatist and EPG arrangements are observed in a wide variety of political and cultural settings. Each has a core set of design principles that establish the conditions under which policy areas can effectively be governed by such arrangements. However, these are very different principles from each other, and it is worth considering why. Sectoral corporatism focuses almost entirely on the ability of organisations to coordinate the quiescent response of their members – ie, to persuade them to accept government policies, in return for benefits to their representative organisation. Lucio Baccaro has recently launched a trenchant critique of corporatism for this approach: ‘what the corporatist literature missed entirely is that organisational concentration and hierarchy are two possible mechanisms of coordination, perhaps even the most widely diffuse, but not the only possible mechanisms ... Democracy is [also] a powerful mechanism of coordination and dispute resolution’ (2002a: 332). Baccaro demonstrates in his work that Italian unions, which are exactly the sort of adversarial organisations whose ability to promote deliberative-solving is denigrated by EPG theorists, are both effective at problem-solving *and* at traditional contestation (Baccaro 2002 a and b; cf Regini 2000). If collective problem-solving and public good provision are the indices on which we want to assess organisational capacity, the organisational antinomy between sectoral corporatist views of hierarchical, adversarial organisations and EPG views of democratically deliberative ones may be empirically inaccurate. Established organisations may be good at both things.

The role of states and public policy presents a similarly stark dichotomy between sectoral corporatism and EPG. The effective sectoral corporatist state is essentially making side-payments to social actors: buying off their quiescence for a degree of control over implementation and organisational resources. Frequently, as in the paradigmatic case of French agriculture, the state is using its corporatist social relays to euthanise all but a fraction of an obsolete sector (Keeler 1987). For EPG, the state is to be feared not for its execution of a sector, but for the tendency of bureaucrats and established politicians to strip politics of its deliberative, participatory character (Isaac and Heller 2003). The state can promote the success of experiments in empowered participatory governance, but only when it limits itself strictly to the role of information and accountability clearinghouse. Greater state involvement, in the EPG view, it is likely to sap the participative life out of an institution by bureaucratising it. There is a wide gulf between institutional principles enunciating the neo-corporatist state as cynical provider of resources and the new age network state of EPG. Is there an intermediate role for public policy in the promotion of effective decentralised governance experiments?

I will argue in this chapter that the organisational and state policy dichotomies posed by these two literatures are over-stylised, revealing an undeveloped middle ground that is the likely to be fertile for many experiments decentralised collaborative governance. Decentralised collaborative governance calls on the

distributed intelligence of actors close to local problems, as EPG theorists argue. *Pace* the literature on sectoral corporatism, rigidly hierarchical organisations have difficulty managing and mobilising information like this, given their top-down structure. However, existing adversarial organisations solve a variety of collective action problems and pay the start-up costs in experiments that provide public goods. Against the expectations of EPG theorists, we expect such groups to be the prerequisite to effective experiments in decentralised governance. With respect to state involvement, sectoral corporatism suggests that state aid will be devoted primarily to insulating groups from competition. However, when they are not managing decline, but trying to solve local problems, organisations do not suffer principally from membership discontent. They suffer from their tenuous, uninstitutionalised position – they require resources and protection from politicians who would divert resources to other experiments. This is a very conventional role for politics – elected officials fighting for constituents in higher level representative bodies – but it is the sort of conventional politics that EPG theorists deride. Without such protection, though, experiments in decentralised collaborative governance are likely not to survive over time.

Why are these two elements necessary for success? Existing organisational infrastructure is the primary functional requisite of successful collaborative governance. Existing organisations with collective capacities bring together members to pursue a socially preferred goal, even one that requires actors not to pursue opportunities for short-term gain at the expense of social optimality. Such organisations can credibly pay some of the start-up costs of a new co-operative endeavour (Marwell and Oliver 1993). Even if these organisations do not have an effective sanctioning capacity to prevent free-riding by their members, their existing organisational infrastructure allows them to commit to pursue co-operative goals even in the face of occasional free-riding. No group, obviously, will continue to play the co-operative game for long if no one else is reciprocating a co-operative move. However, in trying to persuade local actors to pursue new patterns of co-operation, organised groups can both pay some start-up costs and absorb some free-riding in the early period of a new co-operative initiative (Culpepper 2003). Note that this is not a claim that social capital, as represented by local density of sports and civic clubs, is necessary for collaborative governance to succeed (cf Putnam 1993). Successful decentralised collaborative governance does not require lots of organisations that are important for their representation of generalised norms of reciprocity. Success requires only one or two capable organisations that provide what might be called organisational leadership in the early phases of experimental reform (Cersosimo and Wolleb 2001). Rather than trying to build up organisations *de novo*, therefore, governments that want to support collaborative governance would be wise to build their institutional architecture around existing organisational capacity in the political economy.

The second necessary condition for collaborative governance to succeed is political: namely, political leadership to protect fragile new governance arrangements from budgetary axes and to provide direct link to the arena of electoral politics and policy-making. Collaborative governance arrangements, like those associated with EPG, are often adopted to deal with difficult policy problems that central states have conspicuously failed to solve. This was certainly



the case of French training and Italian development policies. Given that new arrangements are being adopted to address difficult problems, it is reasonable to expect that some fine-tuning will be required. If these new arrangements are not merely to function as methods for central politicians to shift blame for problems they cannot solve, they will need to have electorally legitimated backers to allow for this fine-tuning of policy instruments to take place. This argument echoes the finding of Arun Agrawal and Elinor Ostrom (2001: 505) that decentralisation initiatives are often launched without strong local demands for them, but that the long-term effectiveness of these initiatives depends on the development of local pressures and lobbying to support them.

## REGIONAL GOVERNANCE INSTITUTIONS IN FRANCE

The French government adopted an ambitious project of decentralised collaborative governance in 1993 as a means to overcome low levels of employer investment in vocational training. This law had both an institutional and a policy objective: it aimed to establish institutions of public-private collaborative governance at the regional level as a way to overcome the co-operative dilemmas that had previously impeded companies from investing in youth training contracts (Culpepper 2003). The decentralisation laws of 1982–83 had first ceded power to regional governments over the area of youth training, but 1984 laws that created new contracts governed at the national level had limited the effect of the reform. The 1993 Five-Year Law on Work, Employment, and Professional Training attempted to overcome past governmental failures by bringing together the various affected societal actors under the auspices of regional governments to work out the details of how to improve France's poor record of company investment in youth training contracts.

As with most reforms, this law had an expressly political catalyst: the election of the centre-right RPR/UDF coalition government in 1993, which brought to power many partisans of reinforced decentralisation. Chief among these was Charles Millon, president of the parliamentary group of the UDF and also the president of the regional council in Rhône-Alpes.<sup>6</sup> As regional president, Millon had since 1988 made Rhône-Alpes the region that had most vigorously attempted to assume the governance power over youth training conferred by the 1982–83 decentralisation laws. Millon had commissioned a non-partisan study to evaluate the progress of the regional reforms, and the reports had concluded that the reforms in Rhône-Alpes had failed in reaching their training goals because of the poor articulation between the region and private actors, underlining 'the fatal gap between the UFA program's central protagonists [regional government and employers' associations] and the micro-economic agents whose decisions underpin the effectiveness of the policy: especially the youth and the companies

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6 Politicians in France can hold numerous offices at once, thus allowing Millon simultaneously to be a member of the national assembly and the president of a regional council.

tied by a labour contract, but also the decentralised actors of the educational system' (Brochier *et al* 1995: 115). Thus, one of the major political architects of the Five-Year Law came to power with the goal of empowering the regions by developing governance institutions that could enable collaboration among government, employers, unions, and educational authorities.

However, for neither unions nor employers in France is the region a constituent level of organisation.<sup>7</sup> Most of the associations have territorial (sub-regional) organisations with a strong central peak association in Paris. One commonality of both French employers' associations and French unions is their weak organisational capacity at the grassroots (Howell 1992, Bunel 1995). Their major orientation therefore is sectoral and national, not regional and intersectoral. However, the new collaborative governance institutions developed by the Five-Year Law *were* regional and intersectoral: the COREFs.<sup>8</sup> The Five-Year Law, which had excluded secondary associations from its design phase, thus attempted to build collaborative governance institutions at the regional level, where French economic associations have the weakest collective capacities.

The law foresaw the COREF as a regional centre for consideration of projects by the representatives of employers' associations, labour unions, chambers, teachers' unions, and parents. The regional governments, in consultation with the private actors assembled in the COREFs, were then to develop regional plans for how best to respond to the needs of employers and of youth within the area of the region. This would allow policy to be elaborated by regional councillors in close consultation with all the relevant social actors with little oversight from Paris, and as such represented a radical departure from past patterns of policy-making in France.

The attempt by national politicians to establish functioning institutions of regional collaborative governance was undermined by the weak capacities of interest groups to circulate information among their members and to promote their engagement in the new policy initiative. Employers and unions, not typically close allies in France, worked together in most regions to marginalise the COREFs and to empower an alternative body (the COPIRES<sup>9</sup>) where only they were represented – thus cutting out the other representatives of civil society included in the COREFs. However, even in consultations with the COPIRES, regional administrators discovered that unions and employers at the regional level lacked the information-gathering and mobilising capacities to be useful interlocutors over policy-making (Culpepper 2003: 153–56).

Across France, the inability of regional associations to deliver useful information about the private economy to regional governments subverted this experiment in collaborative governance. The prime ministerial report that

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7 The only exception to this rule is the CFTD, one of five officially recognised unions, which has a stronger regional capacity than its competitor unions and thus saw the 1993 law as an opportunity to improve its competitive position *vis-à-vis* those other unions.

8 Comité régional de la formation professionnelle, de la promotion sociale, et de l'emploi.

9 Commission paritaire interprofessionnelle régionale de l'emploi.

evaluated the reforms in 1996 caustically observed that the uneven informational capacity of secondary associations at the regional level was a serious barrier to the successful functioning of the new institutions (Comité de co-ordination 1996: 117). The whole experiment of the Five-Year Law was premised on the idea that actors within society had local information that could inform policy, if that policy was sufficiently decentralised and allowed a strong enough role for private actors. However, the attempt to construct such institutions on the weak regional organisational capacity of the French social partners was unsuccessful, and the law foresaw no particular way to build capacity.

What was the impact of this institutional failure on the objective of increasing company investment in youth training contracts – that is, in increasing patterns of local co-operation? In short, French regional policies failed to convince companies to invest in youth training contracts. One good metric of firm training investment is the retention of employees in regular work contracts after their training period. Those companies that have invested heavily in general skills training should be loath to lose that investment by not hiring the trainee (Soskice 1994). There were two major youth training contracts in France in the 1990s: the apprenticeship and qualification contracts. In the mid-1990s, only 10% of apprentices and 29% of youths in qualification contracts were hired into regular work contracts after their training by the firm that trained them, which suggests that very few companies were heavily investing in the training of their young workers (Charpail and Zilberman 1998: 50, Vialla 1997). With few exceptions, the French reforms failed to stimulate local co-operation among employers (Culpepper 2003). In aggregate, French firms clearly used the subsidies associated with the training reforms to lower their labour costs, rather than to invest in developing the skills of their future workers.

The French experiment suggests that states are very likely to fail when they adopt institutions of decentralised collaborative governance that do not take into account the organisational structure of society. In the case of French training, this would have been the territorial employers' associations and unions.<sup>10</sup> Moreover, the French case is indicative of the problems of reforms that lack support from local politicians. The political force behind adopting decentralised collaborative governance was a political party (UDF) that wanted to strengthen the regions, despite the fact that regions were *not* the level most likely to succeed in facilitating the resolution of collective training problems. Thus, the political support for the project came from national politicians and their regional allies (and often, as in the case of Charles Millon, national politicians also held important regional offices). As long as the problem was how to support regional power through the expansion of collaborative governance, regional political entrepreneurs such as Millon were willing to invest their political capital in the regional project (Verdier 1995). However, as the failure of regional secondary associations became manifest, there was no political incentive for these leaders to solve the problem by changing the level of associational governance to correspond better to the capacities of

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10 However, even at this level, that of their strongest constituent unit, French employers are on the whole still poorly organised; cf Bunel (1995).

French secondary associations. Regional politicians, in other words, were hardly likely to exert themselves to have power delegated to territorial levels below the region.

Consider in this light the proposition of EPG theorists that a central state needs to set effective performance criteria and circulate information about what works and what does not in collaborative governance. Such a design element was fundamental to the design of the Five-Year Law in France; an independent evaluative committee (the Comité de co-ordination) was administratively attached directly to the prime minister's office to assess progress in the reforms and circulate information about regional reforms to the regional actors and to parliament. The weakness of associations and the consequent hobbling of the collaborative institutional architecture is apparent in the reports of this evaluative committee (Comité de co-ordination 1996 and 1999). However, this diagnosis of problems had no political advocate with a vested interest in making collaborative governance work, if it was not going to work at the regional level. Without such a voice from electoral politics to initiate change in the French reform, the supervision from the centre proposed by EPG's advocates is likely to have little real effect in improving the structures of collaborative governance. Technical corrections are likely to be implemented only if they are harnessed to the interest of sub-national politicians in making a reform succeed.

## TERRITORIAL PACTS IN ITALY

The institutional innovation of the Italian territorial pacts grew out of sub-national experiments that converged with several dramatic developments in Italian national politics in the early 1990s. First, 1992 marked the end of the 'extraordinary interventions' as the primary economic policy for the under-developed south of Italy. The extraordinary interventions had been extraordinarily ineffective in promoting the catch-up of the south with the more developed north, but they had been costly, transferring large amounts of money from Rome to governments in the south with little apparent effectiveness in promoting economic growth (Trigilia 1992). Secondly, the Tangetopoli (Bribesville) scandal of the early 1990s, which decimated the old political class in Italy, involved many corruption scandals linked to southern development money. Finally, the signature of the Maastricht treaty and its substantial budgetary demands in the run-up to the introduction of the euro put fiscal pressure on a process seen as ineffective and frequently corrupt. Such a programme based on high investments with low returns was an easy target for post-Maastricht budgetary rigour.

The character of the development policy that was to succeed extraordinary interventions – the territorial pacts – was however adopted for some clear political reasons.<sup>11</sup> The extraordinary aid had been a helpful benefit for central politicians to strengthen their machines and their supporters in the south. One of the

11 The pacts were not the only measure that replaced the old model of development aid. There were also a set of financial incentives for individual companies that ran as a concurrent policy to the pacts (Law 488/92).

electoral beneficiaries of this crisis was Umberto Bossi's Lega Nord, which decried the redistribution of money from the prosperous north to the underdeveloped south (Cersosimo 2000: 210). Thus, as in France, the ambition to build new institutions of public-private collaborative governance was born partly of a federalising push to empower the regional governments. However, regions have not historically been the most important level of sub-national government in Italy. That distinction belongs to communal governments (Dente 1997: 192–23). The forces of decentralisation thus had consequences for both communal government and regional government. The large change for communal governments came first, in the form of law 81/1993, which provided for the direct election of local mayors. This change led to a wholesale turnover of the local political class, as new political leaders from outside the old system were able to win office in local elections (*ibid.*: 184). Italian decentralisation was not developed as a uniquely regional phenomenon.

Moreover, the territorial pacts were not invented as a *regional* measure. They were not regional pacts, but territorial ones, aimed at incorporating actors from a local area (whose ambit was left undefined) rather than from the political-administrative unit of the region. The pacts that emerged varied in scale, but most were larger than a single local labour market and smaller than a province (a sub-regional administrative unit in Italy) (DPS 2003). The choice of the territory as the unit of the pact responded to the recognition by Italian policy-makers that the most successful organisational units of the Italian political economy were local: the industrial districts of the centre-north (Trigilia 2001). In contrast with the French policy discussed previously, the Italian policy was designed take advantage of the existing organisational infrastructure of secondary associations.

The confluence of these three factors – failure of the extraordinary methods, collapse of traditional national political parties, and growing political recognition of the local base of the Italian economy – were the context within which the territorial pacts emerged in the mid-1990s as a tool for development. Once the government recognised the pacts in 1995, the possibility of state funding increased the number of applications, challenging the previously 'bottom-up' character of the pacts. In order to formalise the legal stature of the pacts and to distinguish them from other forms of negotiated policies in Italy ('programmazione negoziata'), the government clarified the juridical conditions of official pact recognition in March, 1997.<sup>12</sup> Pacts were officially agreements signed by local actors that defined development objectives, apportioned expenditures toward meeting those objectives among state and private actors, and suggested regulatory changes in the legal development or industrial relations

12 In this chapter I discuss only the territorial pacts, leaving aside other elements of 'programmazione negoziata' in Italy: the area contracts (contratti di area), the institutionalised programme agreement (intesa istituzionale di programma), the programme contracts (contratti di programma), and the neighbourhood contracts (contratti di quartiere). The increase in these programmes has been substantial, and they suppose different models of private-public interaction. Among observers of the different development interests, the territorial pact has been identified as the 'instrument of programmazione negoziata that applies most clearly the principle of social partnership' CNEL (1999: 53). As such, it has also been the subject of the most attention by researchers. For details of the various instruments, see CNEL (1999: 39–83).

provisions that could stimulate local economic growth. In practice, four types of actors were central to these agreements across Italy: the provincial administration, the communal leaders, industrial employers' associations, and the unions (Cersosimo 2000: 232). Other societal and governmental actors – such as chambers of commerce, banks, and regional governments – were involved in some pacts but not in others.<sup>13</sup>

Although signed by local actors, the territorial pacts were equally importantly a form of agreement between territories and the central government; when approved, they opened the way for money to flow from central coffers to the periphery (Triglia 2001). Thus, rather than a central state devising the disbursement of development money, territories competed with each other to put forward their own 'endogenously grown' development plans. They competed with other territories for funding, which putatively incentivised them to put forward the best possible plan. Certainly this is a logic close to the heart of EPG, which sees the central government as a source of information circulation and accountability standards.

Besides devising a more efficient way to distribute money from the centre to disadvantaged regions, the territorial pacts also aimed to promote two changes in the character of interaction among territorial actors (DPS 2003: 14–15): first, to promote a sense of common identity and purpose among local collective actors; and, secondly, to reverse destructive patterns of weak inter-actor co-operation, particularly in the Mezzogiorno (Cersosimo and Wolleb 2001: 383–85). Through a new instrument, then, the government hoped to allocate development resources more efficiently while promoting the development of co-operation whose absence was seen in the past to have retarded common collective action, and perhaps economic development (Putnam 1993).<sup>14</sup>

What has been the experience, thus far, of the territorial pact experiment? Of the so-called first- and second-generation pacts (signed between 1997 and 1999), there were 51 Territorial Pacts, plus a further 10 financed under different rules by the European Union. It is obviously too early to draw a comprehensive balance sheet of the pacts – the more modest goal in this chapter is to try to understand what regularities have been observed across pacts, based on existing case studies and the comprehensive governmental evaluations of the pacts.<sup>15</sup> Looking over the

13 The absence of regional governments from most pacts is notable in light of recent discussions of Italian regionalism. In a sub-sample of 18 pacts, a department of the treasury study found that only four (22%) had regional signatories (Cersosimo 2000: 232).

14 Development pacts, and the aid that accompanied them, were made available to disadvantaged regions throughout Italy, whether underdeveloped or de-industrializing. They have not been limited to the Mezzogiorno.

15 The results on performance of the pacts are drawn from three main studies of the first and second generation pacts and 10 European pacts for employment (those signed between March 1997 and April 1999): the evaluative report of the department of development and cohesion policies of the Italian treasury (DPS); a study of 18 pacts conducted by Domenico Cersosimo and his collaborators (Cersosimo 2000; Cersosimo and Wolleb 2001); and a study of 46 pacts commissioned by the DPS through Sviluppo Italia (Sviluppo Italia 2000). This information is supplemented by comparative case studies conducted by Filippo Barbera (2001) and Anna Carola Freschi (2001). Thanks to Fabrizio Barca of the DPS for providing me access to the governmental reports.

51 nationally-subsidised pacts, one study suggests the typical pact comprises roughly 40 separate new initiatives, with financing split between public and private sources, mobilising roughly 700 million euros in new investments and creating about 530 additional jobs (Cersosimo 2000: 215–17). If these estimates are correct, then the direct job-creation effect of the pacts is modest at best. Indeed, a government evaluation of the national and European pacts shows very little difference in the public cost per job created of the pacts in comparison with the costs of the policy of direct incentives to companies (DPS 2003: 11–13).<sup>16</sup>

Which pacts succeed in promoting public-private co-operation and why? Existing research points to two ‘moments’ that are crucial in determining success or failure in changing the cognitive orientations of local actors. The first critical moment comprises the early period of creating confidence in the process of negotiated policymaking, while the second moment moves from the initial project phase to the institutionalisation phase (DPS 2003: 50–51). Success in the first moment – that is, successful transformation of the cognitive orientations of local actors toward a higher propensity to trust former antagonists – is invariably correlated with ‘*institutional leadership*’ that is credible and reliable, from actors who by experience or specific competences are able to aggregate, organise, and lead local coalitions made up of people who had scarcely communicated with each other in the past ...’ (Cersosimo and Wolleb 2001: 395).<sup>17</sup> Two types of actors possessed the institutional resources to play this local leadership role: political actors (from provincial or municipal administrations) and social partners (the industrial employers’ association and the major unions) (Cersosimo 2000: 232).<sup>18</sup> In pacts characterised by positive concertation processes – that is, those that have generated new cognitive orientations among previously competing actors – it seems that either an entrepreneurial local political figure (as in the pact of Appenino Centrale) or an entrepreneurial association (such as the union leadership in the pact of Locride) paid the start-up costs and provided the leadership to create local level concertation (Freschi 2001: 465, Cersosimo and Wolleb 2001: 397). While Appenino Centrale is located in the heart of the third Italy celebrated by Putnam, Locride is deep in southern Italy. As suggested by other case study research, social capital measured as pure associational density is neither a necessary nor a sufficient condition for successful concertation to emerge (Barbera 2001). What is necessary in the first phase is some actor with the

16 ‘At the level of mere financial outlays, the pact does not provide specific advantages [compared to past development policies]: its true comparative advantage is to act simultaneously on the double lever of direct incentives and amelioration of the firm’s external context, on the financing of investment and the reduction of ambient diseconomies’ Cersosimo and Wolleb (2001: 387).

17 In pacts characterised by collusive behaviour and little behavioural change, by contrast, ‘concertation is an ‘empty, virtual’ process that does not change the game of traditional system of relations, but only a pretence necessary to apply for public money. Frequently these are inclusive coalitions, which means agreements formally signed by a multiplicity of local actors, institutional and not, which have nothing in common, nor do any want to share, but who are together with the lone goal of intercepting, for the use of their own organisation or its members, financial or non-material resources tied to the pact’ (Cersosimo 2000: 223).

18 By contrast, representatives of regions have rarely been serious actors in the pacts that have emerged.

institutional wherewithal to pay many of the start-up costs of co-operation itself.<sup>19</sup> This wherewithal includes better technical training of administrators, better ability to diffuse information to local economic actors, and the ability to withstand some non-participation (defection) by uncertain local actors. The hierarchical organisational attributes characteristic of stable sectoral corporatism are not particularly useful in the engendering new co-operative relations at the local level.

The transition to the second stage represents the move from initial overtures of co-operation to *institutionalisation*. As foreseen by the EPG literature, the institutionalisation stage is the prerequisite to a durable change in standard operating procedures of private and public actors involved in the project of development. However, this moment is inherently fraught with risks for the co-operative actors, because institutionalisation always involves the channelling of resources among organisations.

In other word, organisations that may have begun to co-operate, in view of the possibilities of achieving new development policies, are almost certain to battle with each other over the resources that institutionalisation makes possible. Politicians like to control resources, and organisations need resources to survive and continue to attract members. The fact that they may have been willing to bear the start-up costs of local co-operation does not mean that they will foreswear the future material benefits to be acquired through such a new system. 'The problem of transition and linkage between the concertation phase and the management phase is very present in local discussions, indeed in certain cases it is the ground on which tensions and rifts between actors are created, to the point of compromising the positive concertative climate of the first phase' (Cersosimo and Wolleb 2001: 403).

What does this mean in practice? Many of the most ardent advocates of the 'bottom-up' development strategies have been disappointed by the process of institutionalisation as inimical to the local process they originally advocated. In their disappointment they echo the concerns of EPG theorists, observing that the project has been undercut by (re)introducing politics and bureaucracy into the local development policies (De Rita and Bonomi 1998: 11). This is an observation shared by many local participants, who frequently demanded a streamlining of the bureaucratic procedures in releasing money once the local actors met their benchmarks (DPS 2003, Sviluppo Italia 2001). At this stage what differentiated failed pacts from successful ones – successful ones being those that were able to institutionalise the newly co-operative relationships at the local level – was the presence of local political actors with either personal or political links to higher

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19 The recent comprehensive governmental evaluation of the experience of early pacts suggests that the relatively better performance of first generation pacts than of second generation pacts may result from the greater local leadership provided in the first case than in the second. Among the second generation pacts, the tendency was to copy earlier pacts rather than to identify the needs of local participants (DPS 2001: 40-41). Note that the first generation pacts were all located in (social capital poor) southern Italy, while many of the second generation pacts were also located in northern and central Italy.



levels of power; notably, the treasury in Rome (Freschi 2001: 465-6). Where these actors were absent, or where they were divorced from the earlier concertation process, the transition from 'exceptional concertation' to 'routine management' was more difficult to achieve. Thus, as for example in the case of the pact in Brindisi, early gains in achieving local concertation were squandered, to the point where the various parties wound up taking each other to court (Cersosimo 2000: 241). If the risks of bureaucratic institutionalisation are great, the alternative appears to be worse for maintaining local development strategies.

## DECENTRALISED COLLABORATIVE GOVERNANCE AND TERRITORIAL POLITICS

Experiments in decentralised collaborative governance have been underway in the advanced industrial countries for about 20 years, and they proliferated during the 1990s (OECD 2001). The cases examined here are two of the most prominent attempts to develop decentralised public-private collaborations, and they span the policy areas where many of these experiments have taken root: in active labour market policy and in local economic development. Just as the literature on neo-corporatism only began in the 1970s to analyse a social phenomenon in state-society relations that had long belied the assumptions of pluralist theory, it may be time for contemporary comparative politics to confront the realities of collaborative public-private governance. This chapter has taken one step in that direction.

The observation that the old tenets of corporatism no longer hold in the face of new policy challenges is consistent with other recent findings about the correlates of success in concertational economic policy-making (Regini 2000, Baccaro 2002a). The hierarchical insulation that was associated with stable governance arrangements in neo-corporatist theory does not translate to organisational effectiveness under decentralised collaborative governance. The failure of the French reforms, and the variation observed in the fate of Italian reforms, results from the capacities of groups to circulate information and to bear some of the early organisational costs involved in establishing new institutions. However, these organisations are not mere information networks; they are, importantly, organisational and technical relays that in the Italian cases proved to be crucial in paying some of the start-up costs of collaborative experiments. Thus, while the state under neo-corporatist arrangements helped insulate organisations from discontent, the most effective role of public policy may be in paying some of the costs of early institution-building. Clearly in these new experiments of policy-making, old-fashioned organisational attributes and material resources still count for a great deal.

It is exactly these attributes that EPG theory discounts too heavily. The findings in this chapter **infirm AQ confirm, inform???** the claim by Fung and Wright that 'participatory collaboration requires organisations with very different skills, sources of support, and bases of solidarity' than do adversarial interest organisations (2003: 266). In fact, the Franco-Italian comparison discussed here

suggests that organisational resources are fungible. Where organisations are weak and adversarial – as in French industrial relations – they prove unable to carry out the roles devolved to them through collaborative governance, and they fall back on adversarial practices. However, with the strong and adversarial organisations of Italian industrial relations, groups that had not previously cooperated were able to engage productively in institutions of decentralised collaborative governance. This was particularly difficult in the moment of institutionalisation, when their tenuous co-operation sometimes broke apart given conflict over the distribution of resources. However, new organisations seldom had the organisational wherewithal to participate widely in the new institutions of collaborative governance (Cersosimo 2000). Some unions and employers' associations were able to change their functioning from adversarial to co-operative – and back again – relatively easily. It seems that organisations with the most developed collective capacities are likely to be strong in both adversarial and collaborative arenas.

Sub-national institutions of collaborative governance, in order to be effective and stable over the long run, need political protection and social capacity. In neither case studied here was this protection provided by a constitutional grant of power. The policy-making authority transferred to collaborative institutions was delegated by the central government, and it could be taken away by the central government. In France the effectiveness of the institutions was undermined by social actors that did not have strong capacity at the grassroots level. Moreover, the reforms were not self-correcting, because there was no actor with an incentive to lobby politicians in favour of strengthening the observed weaknesses of collaborative institutions. Policy-makers at the regional level had few political allies to combat the weaknesses they encountered in dealing with the social partners, so they opted out of trying to create societal co-operation. Instead, they focused their attention on trying to develop their own governmental capacities, rather than the capacities of those social partners that they needed in order for the reform to succeed. While there is common agreement in France on the reasons regions have not been successful in taking control of this policy area, there is no strong political actor with an incentive to promote the building of social capacity that will be necessary if the French training reforms are ever to work as originally planned.

The change in Italian development policy was, like the French initiative, stimulated by a changing national political landscape. However, unlike the French initiative, the Italian territorial pacts had two attributes likely to increase both their resilience and their effectiveness in promoting local co-operation. First, the development pacts built essentially on a territorial logic, responding to the existing organisational architecture of the social partners. This reflected the bottom-up (rather than top-down) nature of their development. Rome did not invent the territorial pacts and bring them to the less developed territories; actors in those territories fashioned them themselves and then pushed for the politicians in Rome to use them as the central instrument of development policies. Secondly, the territorial pacts were invigorated by the 1993 law that had allowed for the direct election of mayors. As observed in the previous section, local leadership was the critical variable distinguishing successful pacts from failed pacts. The

development of new institutional leaders at the local level not only provided this leadership, However, it also simultaneously provided a set of actors that was active in promoting (and protecting) the tool of the territorial pact to national politicians.<sup>20</sup>

When social scientists try to draw lessons from these institutional experiments, the analysis in this chapter suggests that they need to look at social capacities as much as at institutional rules when drawing lessons about the correlates of good governance. We are still far from identifying with the sort of precision and explanatory power of the neo-corporatist literature the characteristics and limits of decentralised collaborative governance institutions. It is likely that building on social capacities will, even where it creates net improvements for public good provision, also create the possibility for private rent-seeking. The nature of this trade-off, and the ways in which it varies across different political and cultural settings, are the sorts of issues that will require much additional research.

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20 As demonstrated in the French region of Rhône-Alpes, this strong local leadership with links to the centre represents a necessary condition, not a sufficient condition, for successful decentralised collaborative governance (Culpepper 2003).

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