

Powering, puzzling, and ‘pacting’: the informational logic of negotiated reforms

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ABSTRACT Across Europe, contemporary negotiated reforms of economic and social policy are increasingly characterized by a logic of information rather than a logic of exchange. Unlike in neo-corporatist bargaining over incomes policies, states negotiate with the social partners not primarily to secure their acquiescence, but instead to enlist their active assistance in designing and mobilizing support for substantial reforms of public policy. State policy-makers lack the combination of technical, relational, and local information necessary to design successful blueprints for reform, and so they are dependent on the social partners to acquire this information. In systems in which unions and employers’ associations can exercise dialogic capacity, policy innovation is more likely to come from the propositions of the social partners than from political parties or bureaucrats. Using this logic, the article undertakes a pairwise comparison of episodes of negotiated reform: pensions in France and Italy, and vocational training in France and Germany.

KEY WORDS Concertation; corporatism; employers; human capital; trade unions; welfare states.

INTRODUCTION

Negotiated reform is back in vogue in comparative political economy. As states across the industrialized world try to reshape their economic and social policies to reconcile the demands of international competition with those of domestic politics, politicians have discovered that there are many advantages to negotiating reforms with unions and employers’ associations. Unions and employers are frequently involved in the day-to-day governance of these policy areas, and so they bring a familiarity with the subject as well as the obvious political benefit of being able to sell tough reforms to their members (Ebbinghaus and Hassel 2000). Some scholars have gone so far as to point to the re-emergence of neo-corporatism as the most efficient way for industrial societies to meet the demands of the international economy. Just as corporatist relations were seen to facilitate adjustment while controlling social conflict in the 1970s, tripartite exchanges among states, employers, and unions are (once again) seen

as the most effective way to meet the new challenges of internationalization (Schmitter and Grote 1997).

There is a problem with using old paradigms to understand new phenomena, because their apparent similarity often masks substantially different causal logics. Rhodes (1998: 183) has made the strongest statement of affinity between the two periods of negotiated reform: 'In spite of the differences between them, the underlying logic of "social" and "competitive" corporatism is in a crucial sense the same: the search for a meaningful form of political exchange in which certain "goods" are bargained.' Whereas neo-corporatist incomes policies did indeed operate principally on the basis of a logic of exchange, I will argue that the negotiated reforms of the 1990s are better characterized by a logic of information.¹ In the neo-corporatist bargain, unions delivered the acquiescence of their members; now, private associations deliver information and problem-solving strategies that enable the crafting of the policy reform itself. The organizational features that allow them to deliver this good are not those associated with old-style corporatism: namely, monopoly power and strong hierarchy. Instead, those organizations that are the most useful interlocutors for governments combine capacities for information-circulation and problem-solving. These groups can identify collective problems in light of the common experience of members, and organizations frame those problems based on superior information about the problems faced by each individual.

The second section of this article expounds the basic underpinnings of a logic of information in negotiated reform episodes, considering how the logic of information ('pacting') diverges from Hecló's well-known distinction between powering and puzzling. In the third section, the empirical comparison uses this logic to analyze the dynamics of policy change in two reform episodes: pension reform in France and Italy, and vocational training reform in Germany and France. These episodes are important for two methodological reasons. First, they show that the informational argument applies to *both* the contemporary corporatist analogues of what Lehbruch (1984) called corporatist concertation and sectoral corporatism. Second, they demonstrate that the argument applies both to employers' associations and to unions. The final section considers how the logic of information affects the mechanisms through which we can expect policy innovation to emerge in contemporary European democracies.

RELATIONAL INFORMATION, DIALOGIC CAPACITY, AND THE NEW CORPORATISM

Politics finds its sources not only in power, but also in uncertainty – men collectively wondering what to do . . . Governments not only 'power' (or whatever the verb form of that approach might be); they also puzzle. Policy-making is a form of collective puzzlement on society's behalf.

(Hecló 1974: 305)

The basic argument of this article is that interest groups – particularly unions and employers' associations – are as important to the process of 'puzzling' as they are to that of 'powering.' In Hecló's original view, much informed by the experience of pluralist politics in Britain, interest groups had little to offer the process of puzzling: 'over the course of the last century – with few important exceptions – these interests appear to have operated as veto groups rather than initiators of particular approaches and alternatives' (Hecló 1974: 298). Visser and Hemerijck (1997), in their influential study of Dutch reforms, have qualified this point importantly, noting that, in corporatist systems, part of the puzzling that takes place does so amongst the social partners. The learning of these groups about the need for reform was a crucial prerequisite to success in the 'Dutch miracle.' However, even Visser and Hemerijck underplay the extent to which the social partners can bring problem-solving capacity to the aid of the state. The logic of modern negotiated reform – which I call the logic of information, but which might also be called 'pacting' – combines elements of powering and puzzling in a context in which states do not have access to the information they need to enable their reforms to succeed.

The logic of information can be distinguished from the logic of exchange in two respects: the nature of organizational membership and the nature of organizational capacity. First, what do members expect from, and owe to, their representative association? Do they view it passively as a collective representative to which they are willing to delegate their assent as a faithful agent, or instead as a center for discussion in which they can devise responses to collective problems? These are different organizational capacities, and we should therefore expect different organizational characteristics to be associated with them. The second distinguishing question is derivative of the first, and it might be asked from the perspective of the state and its officials. Does the organization deliver the acquiescence of its members to solutions devised by bureaucratic experts, or is it instead a source of ideas – better ideas than bureaucratic experts can themselves deliver? These ideas are better both by virtue of their technical aptness but also by virtue of their ability to muster winning support from members of a divided organization. Let us consider each of these in turn.

The dominant strand of the neo-corporatist literature concentrated on the ability of unions to deliver wage restraint in return for representational advantages and policy concessions (Calmfors and Driffill 1988; Goldthorpe 1984). What unions bargained over, with employers and the state, was the extent of the wage restraint and the composition of the policies that could compensate workers for accepting wage restraint. Unions, in this view, could be an effective agent for delivering the collective good of wage restraint. *Trading this good in exchange for favorable policies* was their organizational objective. When restraint is what unions are providing, this exchange logic fairly captures what unions try to accomplish.

Considering unions, or employers' associations, from a different perspective, though, they are not merely agents involved in a trade; they are also centers

of discussion among their members. If private associations are able to circulate information among their members, they may be able to use that information to inform the development of sophisticated strategies to pursue collective goals. The capacity for information circulation is required because groups cannot meaningfully make decisions without relatively complete information about the predilections and observed behavior of their members. In other words, organizations do not need hierarchical control of their members, but instead an ability to create common knowledge among those members. Although they do not operate in a world of complete information, and they may not know the details of all individual members of the organization, these organizations do know the general distribution of preferences and practices within their group.

Yet they still have incomplete information – and *a fortiori* bounded rationality – as regards the action of those other actors in the world. The crucial value of organizations, faced with an increasingly complex set of policy-making options, is to be able to use this information to develop solutions that are simultaneously technically workable and politically feasible. This capacity is *dialogic* – born of the ability to promote problem-solving discussions among members.² Discussion allows groups to overcome the effects of bounded rationality, because it allows them collectively to brainstorm: to devise solutions no member would have imagined individually (Fearon 1998: 49–52). Thus, a dialogic capacity allows them not only to bargain among themselves, but to develop new strategies balancing the conflicting interest of members as new information about the outside world becomes available (cf. Hall and Soskice 2001). If an organization has this capacity, its ability to broker deals among conflicting members gives these decisions a certain legitimacy with all members, even those who are not favored by a given bargain.

Why might this capacity be useful from the perspective of state policy-makers? Most contemporary scholarship focuses on the need to achieve broad consensus among competing actors – actors capable of serving as veto points – as the reason for the renewed appeal of negotiated reform (Ebbinghaus and Hassel 2000; Ferrera and Gualmini 2000). What this view overlooks is the changing nature of what the state requires from the social partners. Marino Regini (1997), writing about the Italian case, has emphasized this difference most clearly:

What the recent negotiations over collective bargaining procedures, incomes policies and pension reform have involved is the devolution of policy-making functions to organized interests (especially to trade unions) in a framework of regulative rather than redistributive policies (Lowi 1972). Hence the process entails an allocation of economic policy authority in a context of emergency and basically shared objectives, rather than the exchange of resources available to the partners.

(Regini 1997: 268)

In the redistributive bargain characteristic of classic neo-corporatist exchange, state policy-makers had a plan and needed to secure acquiescence of the unions to their plan. Now, they have an objective – one not radically dissimilar from that of unions and employers – but they do not know how best to achieve it.

As uncertainty over how to solve a problem increases, the value to the state of information about solving that problem also increases. And the characteristic common to much of contemporary negotiated reform is that the state does not have a ready-made solution to many of the issues facing it; that is, a solution that is both technically viable and politically feasible. With the decline of the apparent effectiveness of Keynesianism, the world got a lot more puzzling for policy-makers. Current supply-side policies, aimed at promoting private investment in human and physical capital, make different informational demands on states than did centralized macroeconomic demand management. Their response in the 1990s has been to devolve power to social actors who know something about the problems of actors on the ground.

Groups with dialogic capacity can produce policy strategies based on two sorts of information not readily available to the state. Such groups have access to technical expertise, but also to relational information about their members. Relational information refers to knowledge of the heterogeneous preferences of group members. The value of relational information – that is, knowing internal predispositions of associational members – stems from its role in helping to construct a policy idea that can attract a majority of members. Unions are a particularly good example here, because their cognitive framing of debates about welfare-state reform has played an important role in the fate of reforms in conservative welfare states (Ross 2000). While opposition to reforms is relatively easy to generate (since there are potential losers from welfare reform who are very aware of the consequences), only an organization with dialogic capacity of the nature discussed here will be able to develop a cognitive frame capable of changing the nature of debate and mobilizing a majority of its members.

Thus, the logic of information is not born of a bloodless, technocratic new mode of consensual governance. It is instead the product of a period in which states depend on local information and relational information in order to succeed, but have no good avenues for securing either sort of information. In centralized wage bargains – the centerpiece of (old-fashioned) national corporatist concertation – local conditions were either ignored or accommodated through the possibility of wage drift. But for policies that involve more active reforms of the way the state intervenes in a sector, the information possessed by local actors becomes a relatively more valuable commodity for the state. This is because they are best placed to assess the barriers to reform, and therefore to design the policies that will overcome these barriers by being able to attract the support of their members.

Such information is the first component of welding together a successful political compromise; mobilization is the heat that makes the compromise stick. Groups with dialogic capacity are effective mobilizers of the first order:

when they are involved in the detailed crafting of policy compromises, which are based on the potentially sensitive information to which they alone have access, they can then urge members to support the compromise because it meets their collective needs. While state representatives can also play this role, they are far less effective in doing so; they do not know whether the negotiated compromise in fact responds to the problems of particular actors, and private actors are anyway distrustful of the motives of state representatives. Private associations suffer from neither of these problems, and they are in fact perceived by private actors as generally favoring their interests. Moreover, when policies are constructed on the basis of compromises assembled by private interest groups, members face a reputational cost if they defect from an arrangement, once the state adopts it. If an interest group has developed a policy proposal viewed as legitimate by its members, failure to cooperate in the implementation of the policy is viewed by actors as failing to live up to the deals cut with others. This decreases the ability of the actor to influence the shape of subsequent compromises, as the defector acquires a reputation for not negotiating in good faith. Thus, once a group has established itself as a legitimate forum for discussion among members, the very fact that everyone believes the forum is legitimate strengthens the resolve of potential defectors to toe the party line.

If the logic of information is indeed an important component of contemporary negotiated policy-making, as I have argued, three sorts of observable implications follow. First, we should expect that governments that engage in concerted policy-making will design policies that differ from those they would have designed in the absence of negotiated reform. This is simply because the social partners bring governments information to which they would not otherwise have access. Second, these policies will substantially incorporate the social partners during the adoption and implementation stages. Because states are technically weak, especially in adjusting policies to local conditions, social partners must assist in this role. Finally, whereas the logic of exchange is mainly concerned with *demobilizing* opposition from potentially opposed social groups, the logic of information suggests the more important role of the social partners lies in *designing and mobilizing active support for* the negotiated initiatives. In the next section, we consider whether these implications have in fact been observed in negotiated reforms in the 1990s.

EVIDENCE FROM CONTEMPORARY NEGOTIATED REFORMS

To examine empirically these claims about the logic of information, this section considers two pairs of negotiated reforms in the 1990s: pensions and vocational education. These are the analogues, in the current 'competitive corporatist' era, of the two distinct types of corporatist exchange noted by Lehbruch (1984). The first type – corporatist concertation – comprised peak-level negotiations among employer and union representatives, as do most

pension reforms today. The second, sectoral corporatism, refers to the practice of management and implementation of policies in a given economic sector by a set of hegemonic private associations. The classic example is agriculture, as argued by Keeler (1987), and these features are characteristic of employer control over the financing of vocational training in France and Germany. This empirical contrast is deliberate. Some readers may argue that the logic of information characterizes only cases of sectoral corporatism, where technical expertise has always been a prerequisite to the effective delegation of state power to private groups.³ In fact, as I shall show, in *both* types of corporatist relationships today there is a relatively greater role for private information and problem-solving than in the corporatist exchanges of the 1970s. This we observe not merely by the involvement of social actors in the implementation of the policies; but also in specifying features of policy *design*, because they have the best information (relational and technical) about how to develop policies that can succeed in achieving the goals of policy-makers.

Reforms in these two areas are also useful to demonstrate the generalizability of the argument for employers' associations and for unions. While the burgeoning literature on negotiated reforms of the welfare state has concentrated on unions, this focus tends to exclude cases in which employers are the major actors with which the state must negotiate. Looking at the area of vocational training, in France and in Germany, allows us to consider the merit of the logic of information in the wider universe of reform episodes to which it can be applied. Like unions in the pension case, employers' associations face a membership divided along several issue dimensions, notably that of size. Large firms and small firms have fundamentally different interests, and this influences their demands from associations (Thelen 2000; Bunel 1995). Just as in the well-known cases of pension reform, success requires crafting a compromise that can attract a majority of members without aggravating membership losses.

Pensions: Italy and France

Governments in France and Italy both tried to adopt significant reforms of their pension systems in 1995. The plan of the Juppé government in France sparked widespread street protests and failed utterly, while the Dini government's proposal was successfully adopted (Regini 1997; Baccaro 2000).⁴ Both plans tried to bring public sector and private sector pensions into closer alignment, increasing retirement age, years of minimum contribution, and (in the Italian case) moving toward a funded system. 'Italy, like Sweden, has fundamentally changed its public pension system. Of the industrialized countries, these two countries are in fact the only examples of large-scale reforms in recent years' (Reynaud 2000: 6). This Italian success was especially surprising in light of the failure of the Berlusconi government just one year earlier to pass pension reforms with extremely similar content.

The prevailing story on these reforms is that confrontational policy styles in which governments fail to incorporate an explicit exchange with the unions, as Berlusconi and Juppé both failed to do in formulating their proposals, are doomed to fail. 'Competitive corporatist' pacts, in which governments actively negotiate with the social partners, are much more likely to be successful in achieving significant reforms (Rhodes 1998; Bonoli 1997; Ebbinghaus and Hassel 2000). The causal implication of this literature is that the pact enabled the success in Italy, and *would have enabled success in France*, had it been pursued by the Juppé government. As I will show in this section, though, the logic of the reforms was one in which the *informational and problem-solving* advantages of unions principally differentiated the French from the Italian reform experience. And the implications of such a model are very different for a future French government that wants to reform the pension system of the public sector, because French unions lack the dialogic capacity enjoyed by their Italian counterparts.

In Italy, the Dini government inherited the agenda of the failed Berlusconi government to reduce the unequal treatment of private and public sector pensions, increase the effective age of retirement by eliminating seniority pensions, and link benefits more closely to contributions (Levy 1999). The government invited confederal unions into the bargaining process, and the unions were instrumental in designing key elements of the reform package: 'the ensuing negotiations took the union scheme as their starting point,' and 'the trade union representatives participated informally in each stage of the drafting of the Government bill' (Regalia and Regini 1998: 493; Antichi and Pizzuti 2000: 90). The central innovation of the reform package was the gradual way in which reforms were to be implemented, which spared existing pensioners and older workers from the cuts. The importance of this particular concession was not transparent to the government. Yet, to the unions that had to secure a majority vote from members in plants, it was clear that this demographic category was the group that would sway internal deliberations the most. They were closest to retirement, so the idea of a pension was fairly concrete to them, but they were also the generation that had been mobilized since the 1960s, who were leaders in internal union discussions to ratify the agreement (Baccaro 2000). Although the Berlusconi government had tried to adopt a very similar plan only the previous year, it did not have information about the critical group to appease. This confirms our hypothesis that the union brought information to the agreement which the government would otherwise have lacked.

Before being adopted by lawmakers, the proposed changes were put to a nationwide ballot of workers, in which plant-level discussions were of pivotal importance. Interview evidence gathered by Baccaro (2000) demonstrates that it was *plant-level union* representatives who were most likely to influence workers' choices in deciding how to vote in the referendum on the pension reform, which was debated in open discussion at the plant level. The ability of plant-level representatives to mobilize individual workers on the basis of the

compromise agreed at the national level – on the gradual phasing-in of the reforms so as not to affect the oldest workers – enabled them to generate a positive referendum vote, even though workers in many northern Italian industrial plants had voted against the agreement. And *because this procedure was considered legitimate by members following the referendum*, these same northern industrial workers did not mobilize to derail the accord, which was adopted into law following a referendum of the workers (Baccaro 2000; Regini 1997). Thus, the informational addition of the phased introduction made local mobilization possible (since this appealed to the crucial swing group of older workers); and the mobilization undertaken by plant-level union representatives in open debate enabled the referendum to succeed, which then gave the government the legitimacy necessary to pass it into law. The Italian pension reforms of 1995 succeeded only because unions promoted a winning strategy that the government adopted in the features of policy design, which then enabled the unions to convince members to accept a reform that many members did not like.

In France, state officials in 1995 formulated the Juppé plan to reform public sector pensions, deliberately excluding the unions from its design (Bonoli 1997). The plan took as its goals the same benefits agreed in a reform of the pension scheme of French private sector workers in 1993: raising the number of years of contribution (effectively raising the retirement age), while reducing the replacement ratio (by moving indexation from wages to prices and lengthening the period of reference salary used to calculate the pension). Just as in the Italian case, the French reform of 1995 represented an attempt to equalize the treatment of those in different types of pension categories. By attempting to impose the plan on public sector workers, though, the Juppé government found itself confronted by the largest wave of French strikes in a generation. Unable to find a negotiated reform with which the unions would agree, the reform of public sector pensions was eventually abandoned, and the unpopularity engendered by the Plan Juppé contributed to the subsequent electoral defeat of the right in 1997.

The Plan Juppé was an extreme case of the responses that have typified French governmental social policy over the past decade: faced with weak, fractious unions, the state imposes what measures it can by legislation or decree, while episodically trying to negotiate with the social partners (Palier 2000). French unions, with extremely weak sub-national and plant-level organizations, do not have the capacity necessary either to promote internal discussions to help structure a deal, or to mobilize their members to support an unpopular program (cf. Howell 1992). Their organizational advantage lies in mobilizing protest, not consent.

If the logic of exchange were the dominant dynamic of negotiated pension reform, then we could place the blame for the 1995 failure squarely on the non-concertational style of the Juppé government. However, if indeed the informational logic is preeminent, this may present a more difficult problem. No French union, including the CFDT, currently has the dialogic capacity

necessary to design substantial reforms of the pension system through a negotiated deal. The 1993 deal on private sector union pensions was not a victory for concertation (*pace* Bonoli 1997). All three of the major French unions (CGT, CFDT, and FO) voted against the 1993 agreement of the CNAV (*Caisse Nationale d'Assurance Vieillesse*), with only the smaller Catholic trade union (the CFTC) voting in favor. The unions did not mobilize their members in opposition in 1993, but they are not able to mobilize opposition at will; only in the public sector is widespread (oppositional) mobilization a possibility for the unions. Given the widely acknowledged organizational deficiencies of French unions, we can confidently speculate about the following counterfactual. Had Juppé, like his Italian counterpart Dini, attempted to construct a pension reform by starting with union expertise and assembling a plan which the unions could sell to their members, the French union experts would have had no viable compromise plan available which would have led to significant reform. They lack the information that is necessary to promote the discussions that could lead to the proposal of such a plan, and they lack the mobilizational capacity at the grassroots that would be necessary to convince workers at the firm level to vote for the plan.

Financing of vocational training: Germany and France

While less politically fraught than pensions, systems for financing vocational training are also difficult to reform because they usually rest on delicate cost-sharing compromises.⁵ In both France and Germany, it is employers (rather than unions) that are centrally implicated in negotiations over financing arrangements: French employers pay special levies designated for apprenticeship and further training, while German employers pay the in-firm costs of apprentices through the dual system. Given their financial stake, employers have always been prominently involved in the para-public bodies which govern their respective systems (Streeck *et al.* 1987; D'Iribarne and Lemaître 1987). In the 1990s, both governments attempted to adopt important changes in the way training was financed. In France, the government in 1993 urged employers to negotiate an agreement that would create para-public bodies at the regional level, which could serve as the interlocutors of the newly empowered regional governments in coordinating youth training.⁶ In Germany, the federal government faced the challenge of convincing eastern German employers of the value of investing in apprenticeship training at a time when many of these firms were restructuring. The federal government wanted eastern German companies to take responsibility for the in-firm costs of apprenticeship training while ensuring that there were enough available places for the young eastern Germans seeking apprenticeships. The capacity shown by regional employers' organizations in eastern Germany was sufficient to allow them to design, and to mobilize support for, successful regional reforms. In France, as in the case of unions and pensions, the weakness of employers' organizations prohibited

the newly (legislatively) empowered regional councils from developing new policies to encourage firms to invest more heavily in youth in-firm training.

The German dual system is widely admired for its ability to convince companies to bear the costs of in-firm youth training, even though these companies have no way to ensure that they will be able to prevent other companies from poaching their trainees (Soskice 1994; Culpepper and Finegold 1999). However, by the mid-1990s the federal and state governments faced an acute problem with respect to training in eastern Germany: there were two young people for every one apprenticeship position in a firm in the turbulent eastern German economy. How to devise a socially and politically acceptable solution to this problem, without undermining the core principle of the dual system – that firms pay the costs of in-firm training – was the challenge facing German policy-makers. The solution pushed by the state employers' associations were training alliances (*Verbünde*), which offered a way to enable more small and medium-sized firms to begin training by allowing them to use the training facilities of larger (more technologically advanced) firms in the area.⁷ New training firms would be exposed to 'best practice' training through these alliances, and it would enable them to learn the benefits of investment in skilled labor, without reducing any of the onerous requirements of the German dual system (Melzer 1995).⁸ Employers' associations and unions throughout eastern Germany favored the subsidizing of training alliances for this reason, and they concentrated their efforts on negotiating with state governments after the federal government refused to adopt the proposal in 1995. What the associations knew, which governments did not, was that this policy would attract those companies to apprenticeship that were most likely to be long-term investors in the dual system (Culpepper 2002). In case studies of three eastern German states, I found that states that relied heavily on the information developed by employers' associations (Saxony and Berlin) were those which adopted phased *Verbund* aid subsidies, while in Saxony-Anhalt the exclusion of the social partners from the policy-making process resulted in the state's not adopting phased *Verbund* aid.

The causal link between adopting a *Verbund* policy and the involvement of the social partners in policy-making is access to inside information about the obstacles that prevent those firms from training *that are most likely to be persuaded of the long-term benefits of investment in apprenticeship training*. In both Saxony and in Berlin, employers' representatives sat on special working groups that advised state government policy-makers, and when those policy-makers began to search for alternative policies, the information of the employers' organizations allowed them to be effective advocates for the *Verbund*. The head of training in the Saxon Economics Ministry noted in an interview that employers' groups pushed for a phased *Verbund* subsidy concentrated in the first year 'because they know how things work in their firms.' In Berlin, the employers' association was even able to provide the government with detailed cost estimates of the advantages of *Verbund* training for the public purse, and even the timing of the announcement followed the recommendation of the

social partners. In Saxony-Anhalt, by contrast, the state government excluded private associations from policy-making, and so it refused to adopt *Verbund* subsidies for multi-firm cooperation. While Saxony and Berlin relied on working groups involving employers' representatives to develop the outlines and details of implementation of the *Verbund* policy, the government in Saxony-Anhalt did not establish a *Verbund* working group until the end of 1998, long after every other eastern state had adopted such an aid policy. As predicted by the logic of information, states influenced by information acquired from employers' associations adopt different sorts of policies than those that do not incorporate such information into the policy-making process.

The information gap between these two types of state policies affected their ability to achieve the ultimate goals of state policy-makers: convincing those firms to train that would most likely become long-term investors in skill provision through apprenticeship. In my study of eastern German training patterns among firms in the metal and electronics industry, the only subsidy program that had convinced companies to begin taking on trainees at rates consistent with western German practice was the *Verbund* policy (Culpepper 2002). The government of Saxony-Anhalt commissioned a study of its generous subsidy programs that came to the same conclusion: despite high state spending, the character of these subsidies had increased only those apprenticeships 'whose potential and breadth of applicability are rather low and which are characterized by low, if not negative, training costs' (Lutz and Grünert 1999: 81–2). Excluding private associations from the process of policy design in Saxony-Anhalt led to the adoption of subsidies that were less able to attract firms interested in long-term human capital investment.

The French government in 1993 passed a sweeping law to delegate power for training policy to regional councils. One of the major elements of the reform was a call to the social partners to negotiate changes in the system of collecting training taxes so as to facilitate the coordination by regional governments of the training system. Yet French employers' organizations, like French unions, are divided among themselves at the national level and generally weak at the sub-national level (Bunel 1995). The inter-sectoral confederation (CNPF)⁹ succeeded in negotiating with the unions an agreement that would have sent 35 percent of the proceeds of the training tax to newly created regional funding bodies (OPCAREGs), which would be run by employers' representatives. Yet the most important sectoral federations, led by the union of metal-working employers (UIMM), successfully lobbied lawmakers directly to exclude the funds they collected from the 35 percent rule, which effectively eviscerated the regional bodies (Mériaux 1999).¹⁰ Because the *alternance* contracts managed by employer funding organizations are a major component of youth in-firm vocational training, regional governments in France were deprived by this move of an official interlocutor that could exercise real power over the shape of regional in-firm training.

If the dialogic capacity of private organizations is as important as I have argued throughout this article, then the prediction is that the French regions

would fail to innovate in ways that would allow them to attract more in-firm training, because they have neither the informational nor mobilizational strengths necessary. And that is exactly what has happened. Across the French regions, the lack of a regional interlocutor among employers' organizations has made it extremely difficult to develop a coherent, targeted policy controlling youth training policy (Lamanthe and Verdier 1999; Bel *et al.* 1999). A French governmental committee, established to evaluate the effects of the 1993 training reform, pointed to the crucial information gap faced by the regions in light of 'the weakness of sophisticated knowledge on the part of sectoral employers' organizations' (Comité de coordination 1996: 69). In my own case studies of Rhône-Alpes, Picardy, and Alsace, employers' organizations were repeatedly identified as lacking the information necessary to design policies premised around increasing firm training. The regional council in Picardy tried to introduce a subsidy to incite firms to hire apprentices, but the director of regional training said in an interview that 'that policy only lasted one year, it was very taxing for the region – you really have to be committed to do something like that, it takes people on the ground [to make it work successfully].' Because the employers' groups did not have a grassroots organizational capacity, and because they lacked the sort of detailed information necessary to assist in policy design, the regions have been unable to develop effective, coherent regional training policies.

INFORMATION AND POLICY INNOVATION

Politics continues to be a struggle among groups with different interests. Yet there is a strong case for emphasizing the relatively greater role of the logic of information in contemporary negotiated reforms, as opposed to the instances of neo-corporatist governance observed in earlier decades. Yet what are the analytical advantages in understanding the distinctiveness of the logic of information, in comparison with the logic of exchange that currently underpins the literature on 'competitive corporatism' (Rhodes 1998)?

Most centrally, understanding why states now rely on private interest organizations for information modifies our understanding of the way in which policy innovation takes place in contemporary European polities. The difference in micro-logics between the two processes reveals a problem with those analyses that stress the 'shadow of the state' in convincing the social partners to compromise in reforms of the political economy. Ebbinghaus and Hassel (2000) argue that unions must be neither too strong nor too weak in order for concertational reforms to succeed. German and Swedish unions, firmly embedded in the workplace, can insulate themselves from the pressures for reform and refuse to come to the bargaining table. Weak unions, as in France, cannot negotiate reliably with the state. It is on the medium ground where states can credibly threaten to intervene – as was the case in Italy. This potential intervention is said to suffice to compel social partners to engage in negotiation

over reforms to the welfare state or the wage bargaining system. Yet if organizational capacity is a crucial element in the successful design and implementation of reforms, the shop floor organizational strength of unions, like the capacity of employers' associations, is a *resource* for reform, rather than an *obstacle*. The unstated assumption in this work is that politicians carry reforming ideas and that interest groups block them. This assumption is often wrong.

The likely source of policy innovation depends on the role of interest groups in the polity. Visser and Hemerijck (1997) argue that the important difference is that between pluralist and corporatist systems, but corporatism may be the wrong lens through which to see the problem of policy innovation clearly. Instead, the dialogic capacity of the social partners is what matters for policy innovation, not the corporatist or pluralist nature of the system. As the Italian case studied here has shown, a system that was never thought to meet the preconditions of neo-corporatism has been one of the few in Europe to produce significant policy innovation in the area of pension reform (Regini 2000; Antichi and Pizzuti 2000). This finding is only puzzling if we use the corporatist indices developed in the 1970s and 1980s to understand contemporary reforms. In any given policy area, *it is the capacity of private associations that will determine the primary vector through which policy innovation will occur*. Where that capacity is low, the most likely source of change is the political system, as argued by Hall (1986). If groups do not have dialogic capacity, they cannot make policy any more effectively than governments. This is generally the case in France and in the United States. It is from such cases that the assumption of reform taking place through the state is born, and for these cases that assumption is likely to be correct. But for those states and policy areas in which the organizational capacity of the social partners is high – which is the case for most of the coordinated market economies in northern Europe, as well as Italy – the assumption may be misleading, because these organizations are the most likely source of innovative ideas.

Exchange remains an integral part of the distributive trade-offs involved in contemporary reforms. The argument here should not be misconstrued as saying that interests have somehow become completely plastic and changeable in the modern era. Analytical models simplify the world to highlight its most salient causal characteristics. This article does not argue that distributive politics is no longer involved in the politics of reform. What it underlines, instead, is the growing informational dependence of the state on private organizations: these organizations can use the information to which they have access to shape the perceptions of members – and to define successful public policies. This dynamic must be underscored if we are to understand the potential advantages, and limitations, inherent in concertational politics.

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NOTES

- 1 This critique of the logic of exchange is informed by the work of Marino Regini (1997, 2000), who makes a similar distinction between the different nature of the 'old' and the 'new' corporatism.
- 2 The concept of organizational dialogic capacity is developed at much greater length in Culpepper (2002).
- 3 I am indebted to one of the anonymous reviewers for an objection phrased in these terms.
- 4 My understanding of the importance of the capacity of Italian unions is informed by the work of Lucio Baccaro, and this section draws especially from the excellent primary research presented in Baccaro (2000).
- 5 Whether a vocational training system is predominantly school-based or workplace-centered, these systems always represent an intricate cost-sharing arrangement among young people, who forego immediate wages to invest in their education; employers, who pay either direct training costs or taxes designated for that purpose; and the state, which often subsidizes training directly or pays the cost of schools. Reforming these systems takes money away from someone, and that someone is far more likely to perceive the loss than others are to perceive the promised gain of reform (cf. Culpepper and Finegold 1999).
- 6 French in-firm vocational training takes place through either apprenticeship or the so-called *alternance* (alternating between school and workplace) contracts. These contracts are financially underwritten by the funds collected from firms by the para-public bodies dominated by employers. Thus, in order for regional governments to coordinate the entire range of regional programs, they need to work together with these regional para-public bodies.
- 7 In other words, on the basis of relational information, state associations built a coalition between large firms, which wanted more companies to train without lowering standards, and medium-sized firms, which found the high standards of the dual system (especially the curriculum in the first year) difficult to meet.
- 8 Equally important, this aid was concentrated in the first year of apprenticeship, when the general demands of the training curriculum are the highest and the productivity of the apprentice the lowest.
- 9 The peak association of French employers in 1998 changed its name to the MEDEF (*Mouvement des Entreprises de France*), but I use here the name of the organization at the time of the reforms under discussion.
- 10 Sixteen federations were exempted from the distribution of funds to the regional bodies, including metal-working and construction. Because these included all the largest and richest sectors, the regional funding bodies (OPCAREGs) ended up controlling very little money. Since the money controlled by these organizations determines the sorts of *alternance* contracts that will be funded in France, the agreement ensured that the OPCAREGs were doomed to irrelevance.

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