

Social Partners and the Welfare State: Recalibration, Privatization or Collectivization of Social Risks?

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Abstract

The comparative political economy literature has been inconclusive in its assessment of the extent of welfare state retrenchment. One strand of research emphasised that welfare states have not undergone outright retrenchment, but recalibration. Another strand argued that there is a shift towards the privatization of risks and increased reliance on the market. While these assessments likely represent differences in magnitude, our paper seeks to contribute to these debates with an alternative argument: collectivization of social risks. We employ a method of contextualized comparisons, examining three cases of collectivization across diverse contexts: the financing of disability insurance in the Netherlands, training provision for employed and unemployed in Greece, and regulation of atypical contracts in Italy. The paper concludes by discussing the political dynamic that ensued and the wider relevance of the argument to debates in comparative political economy and comparative industrial relations.

Keywords

Trade unions; Welfare State; Contextualized comparisons

Introduction

Since the 1980s the need to change established institutions of work and welfare was presented as a given. The Golden Age of the welfare state was thought to be an exception, facilitated by a conjunction of high economic growth, strong trade unions and the post-war consensus across the political spectrum. Despite the mounting pressures to cut back welfare state provisions, the academic debate remained somewhat inconclusive in regard to the extent of retrenchment. On the one hand, Pierson (1996) famously argues that welfare retrenchment was an exaggeration and changes have been slow and path-dependent. The '*recalibration thesis*' (Ferrera and Rhodes 2000, Pierson 2001: 431; Bonoli 2007) claim that, rather than wholesale retrenchment, welfare states have been recalibrated to address 'new risks' and the overall size of welfare provisions has not radically changed. On the other hand, another strand of the literature put forward a different assessment; retrenchment is a crude, if hidden reality and has led to the privatization of welfare services (Hacker, 2004). The '*privatization thesis*' maintained that protection from social risks no longer lay in the public sphere, as the onus has been shifted onto the shoulders of individuals. Consequently, insurance provision depends on their purchasing power rather than collective risk pooling.

Our paper aspires to contribute to this debate by offering evidence to support the plausibility of an alternative perspective, that of '*collectivization*' of social risks. In line with Trampusch (2007a; 2007b) we argue that this is an overlooked alternative and privatization is not the inevitable outcome of welfare state restructuring. Unions and employers may fill some gaps in welfare state provision through collective agreements, providing protection for either new or old social risks, and thus, reaching out to new constituencies. The wider relevance of the argument lies in outlining a possible way of how unions -through collective bargaining with employers- can 'turn

the snakes of the post-industrial age into ladders' (Crouch, 2000) and therefore, 'reinvent' themselves pursuing a new mode of trade union action (Hyman, 2005).

The paper is structured as follows. The next section briefly reviews the arguments around the two contrasting perspectives on welfare state recalibration and privatization, while it elaborates upon the alternative argument of collectivization and fleshes out our 'contextualized comparisons' approach. The third section turns to our case studies, presenting evidence to enhance the plausibility of this alternative view, with data gathered from primary sources and interviews with key informants¹. The fourth section contemplates the likely implications of such initiatives, focusing on new political conflicts. The final section concludes by discussing the wider relevance of the argument.

Social Partners and the Welfare State

Recalibration or Privatization of the Welfare State?

Several scholars remain sceptical about the true extent of welfare state retrenchment. Pierson (1996) argues that the build-up of the welfare state involves the enactment of popular policies in a relatively under-developed interest group environment. Welfare state retrenchment, instead, requires the pursuit of unpopular policies that must pass the scrutiny of voters and diverse interest groups. These latter veto players are more willing to block welfare retrenchment than to obstruct welfare expansion. Therefore, unpopular cutbacks in the welfare state are unlikely even in periods of permanent fiscal austerity.

A more refined version of this argument appeared in the form of 'welfare state recalibration'. Hemerijck (2008: 47) refers to 'functional recalibration' denoting a shift from an emphasis on 'protection from the market' towards an emphasis on 'labour market (re)integration', involving a transfer from protecting old risks for male-

breadwinners (old age, unemployment, illness) towards facilitating 'choice' for both men and women. In a similar vein, Bonoli (2007) maintains that the divergent trajectories in welfare state recalibration are due to differential coverage in the mix of old versus new social risks.

Others criticize Pierson's scepticism of the extent of welfare retrenchment, maintaining that restructuring has led to the privatization of social policy. Hacker (2004) acknowledges that many programs have resisted radical retrenchment, but there have been less visible changes prompting the increased privatization of risks. He notes that crucial changes to the welfare state may not result from highly publicized or large-scale legislative reform, but rather from more subtle initiatives of decentralization, or attempts to prevent the erection of new institutions or expansion of old ones. These processes threaten the welfare state, as they force individuals to bear risks individually or provide income support privately. Such a trajectory of change undermines collective insurance pools, leading to reduced protection for the most vulnerable groups. Hacker's criticism of Pierson resonates with earlier contributions of other scholars (Alber, 1996; Clayton and Pontusson, 1998; Cox 2001).

While the above perspectives are placed as competing assessments in the literature, in essence they outline differences in magnitude that are contingent on differential interpretation of the same trend. In other words, recalibration may also include elements of privatization, while the privatization thesis may overlook the shift on emphasis from new to old risks. From our perspective, both views seem to crucially downplay the potential role that unions and/or employers might have in welfare state change. Pierson (1996:150) only acknowledges that the 'power resources' argument suggests that the declining power of organized labour should render the welfare state susceptible to reform pressures. Hacker (2004) discusses employers' roles in individualizing retirement security, yet discussion of unions' role in welfare retrenchment is absent. Ignoring the role of social partners is perhaps not

surprising for scholarly works focusing on the US, given that unions and employers in this context are not involved in welfare state administration. Rather, in the US context, scholarship has more often emphasized 'business unionism' or 'welfare capitalism' (Swenson, 2004).

A burgeoning literature on social pacts in Europe has examined social partners' role in welfare state change (Ebbinghaus and Hassel, 2000; Fajertag and Pochet 2000; Hassel 2003). Recent social pacts are different from old corporatist bargains, as they are not triggered by trade unions' strength, but rather the necessity to reform welfare programs or enter monetary union. Trade unions' inclusion in policymaking processes had been instrumental to legitimising the content of reforms in welfare states and labour markets. Rhodes (2001) labelled this process as 'competitive corporatism'; trade unions engaged in concessionary bargaining, so as to preserve their institutional position. Still, this literature focuses its attention heavily on the content of *ad hoc* social pacts for welfare reform and fails to juxtapose the content of social pacts with the changing scope of traditional collective bargaining. The only exception –to our knowledge– in this literature is Van Wijnbergen (2002) who observes that welfare reform and traditional collective bargaining are more closely interlinked than previously thought; if the government does not gain support from unions and employers on a proposed reform, the social partners may undo the reform and re-establish welfare benefits within the collective bargaining realm. This insight is our point of departure.

An Alternative Perspective: Collectivization of Social Risks

The alternative argument of 'collectivization' is not novel. Although the term as such has not been used, Trampusch (2007a: 252) has constructed a working definition of this alternative path, claiming that: 'the income and solidarity losses caused by retrenchment of public benefits may be compensated for by gains which result from

benefits negotiated collectively through the agreements between unions and employers'. We concur with this argument and call it 'collectivization' of social risks in contradistinction to the 'privatization thesis'. Indeed, as Trampusch (2007b: 198) insists 'it is not markets that decide on individual wellbeing, but actors that are collective in their nature'. Admittedly, such a term may not be so relevant for American politics, given unions' marginal role. However, it holds bearing for European welfare state politics, due to unions' and employers' more encompassing influence in the labour market. Given unions' more dominant role in the European public sphere, governments may prefer to build societal alliances to overcome potential reform blockage in political decision-making (Ebbinghaus, this volume). The term collectivization is used here with a broad meaning, denoting not only the provision of benefits collectively, but also what Schmitter and Streeck (1985) called 'associational regulation'. A more encompassing definition is appropriate in light of the different functions of welfare state, which provides not only the distribution of in kind/cash benefits, but also market regulation.

Where does the motivation for such collectivization arise; specifically why would it be meaningful for unions, and employers, to pursue collectivization of social risks?² Our answer relies upon an old insight from the industrial relations literature. Attempts to collectivize insurance of social risks may potentially enhance trade unions' face as 'swords of justice' rather than simply 'vested interests' (Flanders, 1970). In the post-industrial age unions are likely to be interested in policies that cover not only 'old' risks, but also 'new' social risks. The latter may add to their chances of a successful membership revitalization strategy and expand their reach to new constituencies such as the unemployed (Clegg and Van Wijnbergen, in this issue) or other outsiders. Employers' may also share an interest in welfare preservation, particularly if they benefit from social programs which shift employment costs towards the state. Mares (2003) and Swenson (2004) rightly point out that the

American welfare state developed with the support of employers, who derived important benefits from social insurance and up-skilling of the workforce.

In the next section, we discuss three cases where trade unions and employers filled a void in welfare state provision through collective bargaining agreements. Such gaps may have been pre-existing due to antagonisms or may have occurred due to welfare state retrenchment or recalibration. Our outcomes are similar in the extent that unions and employers engaged in financing welfare or addressing pressing social risks through regulation. Notably, such collectivization took place not only in countries with a historical repertoire of social partnership (the Netherlands), but also of confrontation (Greece and Italy).

Research Design: A ‘Contextualized Comparisons’ Approach

Comparative trade union research suffers from a long-standing problem: the question of ‘comparability’. The extent of variation in national trade unions histories, accomplishments, and identities, is staggering. How can one compare -let alone arrive at meaningful generalizations- in light of such diversity? This problem equally applies to welfare state research. The comparative political economy of welfare states has long established the historical variation in welfare state provisions and their differing capacity for ‘decommodification’ (Esping-Andersen, 1990). However, our contention is that this diversity should not impede efforts for theoretical generalizations. An important aid to this effort –and underutilised in related scholarship- is Locke and Thelen’s (1995) approach of ‘contextualized comparisons’.

Our cases are intentionally selected to be diverse so as to reflect different industrial relations contexts. Thus, the Netherlands is representative of the ‘social partnership’ model, whereas Greece and Italy belong to the ‘Latin confrontation’ model of industrial relations (Visser, 2001:186). In the social partnership context, ‘collectivization’ of social risks is most-likely, because actors have undergone a long learning process by interacting in corporatist venues and participating in welfare

state supervision. Additionally, welfare states in such institutional contexts are usually well developed, providing a high degree of decommodification. By implication, we expect that the most urgent social risks will be located in areas where cuts are made in the generosity of provisions, and those areas will draw trade unions' attention. Conversely, in 'Latin confrontation' institutional contexts, the bitter antagonism between labour and capital is less expected to lead to the collective take-up of social risks. Thereby, we enhance the wider applicability of our argument by presenting instances of collectivization in 'least-likely' cases such as Greece and Italy, where social partners are unlikely to hold the capacity to bridge gaps in the welfare/regulatory state. In this sense, our comparison is 'contextualized'.

We examine different policy areas (disability, employment regulation, training) across diverse institutional contexts. Despite the apparent differences in the areas covered, this analysis is sensitive to differential 'starting points' in industrial relations contexts and welfare state regimes. Therefore, this line of inquiry will reveal 'how these apparently different struggles in fact capture the particular way that common challenges have been translated into specific conflicts' (Locke and Thelen, 1995:344). In a nutshell, we overcome the problems of comparability by placing the differences centre-stage in our analysis. While we look at different issues across diverse institutional contexts, their meaning (cf. Hyman, 2001:218) is similar at a higher level of abstraction, and all instances capture the collectivization of a social risk that was left in the void of welfare provisions or regulations.

Collectivization of Social Risks across the Netherlands, Italy and Greece

Disability Insurance in the Netherlands

Prominent features of the Dutch industrial relations system have been the continuous reliance on tripartite bargaining and concertation in policy making and reform. This interaction has been institutionalised in formal bargaining arenas, the Foundation of Labour and the Social and Economic Council being notable examples. Though the influence of the latter has declined since the 1980s, it continues to deliver important decisions on policy issues, the 1992 decision on entry into European Economic and Monetary Union being a notable example. The Netherlands, thus, represent the likely case where social partners are expected to address policy gaps created by welfare state retrenchment.

The case of Dutch disability insurance reform has been studied extensively, yet few accounts offer an in-depth analysis of unions' success in mitigating the reform's effects by facilitating the establishment of collective insurance funds at the sectoral or company level. The Netherlands often stands as a success case in social welfare reform: during the 1980s and 1990s, Prime Minister Ruud Lubbers' Christian Democrats (CDA), in coalition first with the Liberals (VVD) from 1982 to 1989, and then with the Labour Party (PvdA) until 1994, introduced widespread welfare reforms in social security, unemployment benefits, sickness and disability insurance, in order to limit problems of moral hazard and contain the costs of such programs on public finances (see Hemerijck and Visser 1999; Levy 1999; Cox 2001; and Hemerijck and Vail 2006).

Attempts to reform the disability insurance (WAO) proved most elusive to Lubbers' coalitions. Several (successful) attempts had been made to reduce the replacement rate of disability insurance; in 1987, it was reduced from 80% to 70% of previous pay. However, disability insurance continued to plague public finances, due in most part to the high number of claimants. By 1990, one million people (out of an adult population of 7 million) were on disability benefit (Hemerijck 2003). Much of this high claimant problem was attributed to social partners' misuse of the system. Disability insurance provided an easier means to lay-off workers than outright

dismissal, which could be a lengthy, contentious, and as a result, costly process for employers (Aarts and de Jong 1996). Misuse of WAO by employers was particularly effective because its management was in the hands of Insurance Industry Associations (IIAs) which were governed by bi-partite bodies rather than the state.

By 1990, the Lubbers-Kok coalition had exhausted cost-containment strategies via lowering benefit levels and changed their reformist agenda from that of reduced replacement rates to reduced volume. In the summer of 1991, an extensive, and controversial, reform package to WAO was proposed. It included a tightening of eligibility criteria, stricter medical examination for workers under the age of 50, and provisions that future WAO claimants would see their benefit levels reduced over time. All claims would start with a 70% benefit, but unlike the old system, the new one would reduce this benefit over time, according to the age of the claimant (EIRR, 1993a).

Mass opposition arose in response to Government's reform proposals, particularly from trade unions who organized their largest post-war protest (of 1 million participants) in The Hague in the summer of 1991 (Hemerijck and Visser 1999). The Social and Economic Council, the Dutch tri-partite body which plays an important advisory role in economic policy and industrial relations, was unable to reach agreement on reform measures; employer and crown members supported reform, while union members opposed it. Though the proposals were initially outlined in 1991, the reform itself was passed (unilaterally) by Government in January 1993.

Hemerijck and Vail (2006) describe the unilateral imposition of WAO reform as an explicit political attack on the manner social partners' were administering social insurance. Nevertheless, Dutch unions announced that if political pressure on Government during the reform process was ineffective, they would reverse the effects of the planned legal changes in the next (1993) bargaining round. "WAO repair" as it was called by FNV and CNV, the Netherlands' two largest trade union

confederations, became the top priority, preceding even pay, on the 1993 and 1994 bargaining agendas.

Although unions were less successful in securing employers contributions to the WAO top-up in company agreements,³ they managed to secure employer contributions in several major sectoral agreements. The first success was in the construction sector, which covered 200,000 workers. All employees and employers were obliged to participate in the scheme, which restored disability benefits to previous levels. Employers paid the top-up contributions (around 2% of pay), but unions agreed to forgo a 0.4% wage increase in order to help employers finance them (EIRR, 1993b). Negotiations in the metalworking sector proved more difficult, and provoked industrial action. After employers' refusal to unions' calls for an industry-wide obligation to insure employees to old WAO levels, strikes arose, prompting employers to propose a new scheme with a commercial insurer in order to re-start negotiations. The final agreement provided for a centrally organized sectoral WAO insurance scheme, compulsory for all employees. Employees would pay the disability insurance premia top-up (1-4% of pay), unless it was above the industry average, in which case employers would contribute towards the cost (EIRR, 1993c). In the banking sector agreement, covering 112,000 employees, compulsory collective schemes were established by employers; employees financed 80% of the top-up while employers financed the remaining 20%.

WAO repair even presided in public sector pay negotiations. An agreement was reached on WAO compensation between unions and the Minister of Internal Affairs, providing for a voluntary employee funded scheme in the civil service. Contrary to Government's initial reform objectives, 'WAO repair' in sectoral agreements was extended to all firms within the sector, including the public sector, via the Minister of Social Affairs and Employment's powers of collective bargaining extension. A report issued by the Ministry of Social Affairs and Employment in 1994 indicated that most collective agreements concluded in 1993 had provided full 'WAO

repair'. The Ministry's report found that new provisions in 1993/early-1994 collective agreements were financed mostly by employees, who on average contributed 1.1%/1.4% of their pay to the top-ups, while employers contributed 0.8%/0.2% (EIRR, 1995a).

Study of unions' success in negotiating WAO top-ups provides a stark contrast to the literature which lauds Dutch reform success in retrenchment. In the face of such success, Levy's (1999) discussion of WAO is slightly misplaced. Levy proclaims the Lubbers-Kok government 'vice-into-virtue' WAO reforms, coupled with strong economic growth, led to a drop in public spending from more than 50% to below 45% of GDP by the end of 1993. Yet, Hemerijck and Visser (1999) are more critical, going so far as to deny the existence of a Dutch social security miracle. The authors attribute the return to budgetary surplus to the substantial rise in labour market activity, and subsequent cuts in other social spending programs, not the resolution of the WAO crisis. After 1993, all political parties were against re-engaging with WAO reform. The reform itself was claimed to cost the Lubbers-Kok coalition an unprecedented 32 of its 103 seats in the 1994 election. While the new "purple" Labour/Liberal coalition continued with the CDA's previous reform efforts in other social programs, further WAO reform remained off the table (Hemerijck, 2003).

The case of the Netherlands poses a sharp contrast to that of Hacker's United States. In the face of a highly-publicized and controversial disability insurance reform, unions, with the consent of employers, overtook partial provision of WAO, limiting the change and the extent to which it was privatized. Rather than witnessing the demise of collective insurance pools, high bargaining coverage and the Minister of Social Affairs' (reluctant) use of extension ensured that disability insurance pools in the Netherlands remained relatively intact. Unlike claimants of unemployment and social assistance benefits, which declined during the Dutch employment miracle in the late 1980s and 1990s, disability insurance claims increased to 1,173,000 million in 2000 (Hemerijck, 2003). Collectivization of risk has not resolved the vices of the

Dutch disability system: it has, however, avoided incomplete risk protection, which may be the greater of the two evils.

Regulation of Atypical Employment in Italy

Italy's industrial relations system lies between a historical tradition of 'micro-corporatism' and state-sponsored political exchange; only recently have Italian industrial relations come to terms with the notion of collaborative corporatism (Baccaro 2000; Hancké and Rhodes 2005). The introduction of atypical employment contracts in Italy offers an interesting policy venue to test whether there is scope for the collective management of welfare systems in an economy that until the nineties lacked any formalised framework for collective interest negotiation. The failure of the state to address the problem of precarious atypical employment created a welfare-vacuum for these workers. This section shows that social partners have tried to contain the negative side-effects of flexibilised labour markets. This required the creation of a formal avenue for collective bargaining.

The introduction of basic forms of atypical employment took place in the mid-eighties (l.n. 863/1984) as a response to an incessantly growing shadow economy made up by youth, women, pensioners and migrants from the South. Whilst trade unions welcomed the regularisation of those workers, a growing number of experts agreed on the need to introduce legal atypical employment forms into Italy's over-regulated labour market. Contrary to other flexibility enhancing policies, part time employment in 1984 was treated as a form of life-long employment, subject to comparable welfare and pension benefits as full-time standard employees. This policy was introduced by the state and was not part of bi- or tri-partite discussions, since a formalised avenue for collective negotiations did not exist at the time.

Moreover, until the mid eighties the Italian state was accustomed to implementing labour market and welfare policies unilaterally (Frey et al. 2002).

Yet, following the July 1993 tripartite accord, signed in the wake of the EMU accession process, an official avenue for collective bargaining was established. Henceforth, unions and employers would meet at the sectoral level to negotiate wage increases (every two years) and normative add-ons to national level –labour market- policies (every four years). Subsequently, the topic of flexible contracts was taken up once again by the Prodi government, under the pressures of a high unemployment rate and budget constraints. Part of the Dini pension reform (l.n. 335/1995), the first form of fixed term employment was introduced in Italy in 1995 (co.co.co. –coordinate continuative collaboration). This paved the way for the introduction of the Treu Package in 1997, which expanded a variety of atypical employment forms - discontinuous and socially useful employment as well as work-training contracts - and privatised employment agencies. Eventually, the Package paved the way for legislation on further forms of atypical employment in 1998. This legislation geared towards the re-introduction of young workers of depressed areas into the labour market; accordingly, wage breaks were exchanged for forms of training and the integration of workers into the firm (*piani di inserimento professionale, borse di lavoro, tirocini di orientamento*). These policies failed to improve the occupational potential of workers because of the ineffective training provided as new skills were not developed and little new human capital accumulated. A side-effect was also that in the social security of the targeted groups actually decreased. As a matter of fact, atypical workers are paid less than proportionate to full time workers and to present discontinuous employment spells which result in lower skill accumulation and benefit entitlements (Boeri and Roccella 2009).

Through the initiative of a group of senators headed by C. Smuraglia, the state embarked in a first attempt to address this increasingly pressing issue by proposing a bill (in February 1999) geared towards decreasing the precariousness of

such employment forms. Specifically the bill aimed at improving the minimum wage, ensuring continuous training was provided, guaranteeing the fulfilment of health and safety conditions, and safeguarding the representation rights of atypical workers. In the end, the bill was not passed and only a few minor measures were introduced to address problems of health and safety guarantees and the application of non-discrimination principles which were made compulsory, specifically with respect to maternity rights and parental leave.

In the face of this implementation vacuum, however, social partners took over an important role by pursuing strategies which limited this insecurity and addressed the most problematic forms of work conditions through sectoral and territorial collective bargaining agreements. Within this specific policy realm, employers maintained a subtle distance. They caved in to unions' proposal, albeit fine-tuning agreements to their needs - possibly accumulating bargaining mass for future negotiations where interest would be more polarised. Collective bargaining addressed both normative and wage issues which eventually improved the working and welfare conditions of atypical employees. Yet, it is important to highlight that because these agreements developed –and are developing still– both at the sector, territory or firm level a sensible variety of conditions emerged across space and time.

At the sectoral level, agreements were geared towards increasing internal and external flexibility. Normatively, a number of agreements were concerned with improving the skill acquisition outcome of work-training contracts implemented through the Treu Package. The 1998 agreement between Italy's main trade union confederations, CGIL, CISL, UIL, and the employer Artisanal Confederation agreed that firms would have to ensure employees attended external training facilities, monitored by bilateral associations (Frey et al. 2002: 66). In other agreements, social partners introduced comparable treatments between typical and atypical workers with respect to non-wage issues: sick leave, paid holidays, and other fringe benefits. The metalworking 1999 agreement established norms to ensure all the

above, as well as clear guidelines for the calculation of severance pay for atypical workers.

Negotiations arose to reduce wage differences between typical and atypical employees. Despite the fact that different pay rates continue to apply, mechanisms were agreed which gradually increased the pay rates of atypical workers: in the artisanal agreement pay rates increased by 60% of an atypical workers' starting wage; by 85% within three years in the construction sector, and in the 2000 agreement it was agreed that wages of atypical workers would be raised by 95% in the metalworking industry. Mechanisms were put in place in order to ensure that the compensation of atypical workers would increase.

A landmark agreement was reached in 1998 agreement between trade unions (NIDIL/CGIL, ALAI/CISL, CPO/UIIL) and the employer association covering firms allocating intermittent workers (ASSOINTERIM). The two parties agreed (1) on establishing clear limits to the proportion of such workers within each firm, (2) on excluding roles characterised by very low skill levels or health endangering, and (3) on setting up a bilateral training institute (Giovine and Spataro 2001; Frey et al. 2002: 69). Finally, firm level agreements between employers and works councils reinforced these meso-level agreements by continuing in the effort of reducing the normative and wage differences between workers.

The vacuum of welfare state protection created by atypical work in Italy is, to some degree, similar to the retrenchment which Hacker describes in the US. There was no big-bang legislative retrenchment from state regulation in the atypical work arena. Yet silently, the state retreated in its regulatory duties, providing a regulation vacuum where social partners took up an important role in collectivizing atypical working conditions. Social partners have enhanced the scope of non-wage bargaining by introducing, bargain after bargain, measures that reduced the risks faced by atypical workers. The fact that these developments have taken place in a

country where institutionalised bargaining is a recent phenomenon, and where social partners have been unlikely bedfellows, renders them all the more surprising.

Solidarity Fund for the Employed and the Unemployed in Greece

Greece's industrial relations system has been historically marked by high levels of industrial conflict and antagonism between labour and capital. This repertoire hindered the institutionalisation of social partnership, let alone provision of any 'collective good' such as training. At the same time, the residual character of the Greek welfare state left a substantial gap in the provision of continuous vocational training for employed or unemployed individuals (Dimoulas, 2002; Prokou, 2008). Instead, welfare provisions were heavily skewed towards pensions and rudimentary unemployment benefits. SMEs provided continuous training through informal on-the-job apprenticeships, while in-house training programmes were only offered by a few large firms within their 'internal labour market' (Karamessini, 2009). Unions and employers abstained from supervision or financing of any training-related activity. Thus, the establishment of a bi-partite Fund for training in the late 1980s, and its gradual extension to cover the unemployed in the early 1990s, represent a remarkable collectivization of social risks, unprecedented for Greece's industrial relations context.

The tide of change began with a shift in the strategies of peak labour union (GSEE) and employers' association (SEV) in the late 1980s. SEV called off its 'investment strikes' strategy of earlier years; and GSEE abandoned its confrontational stance, both adopting more consensual discourse towards social dialogue (Kritsantonis, 1998:510,519). The weakening of the adversarial climate allowed the gradual extension of bargaining scope in the late 1980s and culminated into the 1990 re-organisation of the bargaining system via Law 1876/1990. The latter enjoyed a wide-ranging consensus among social partners and political parties, and

can therefore be construed as a 'social pact' (Ioannou, 2010). At the same time, the Greek economy suffered severe losses in international competitiveness with massive decline of textiles and apparel industries during the 1980s. The Greek government responded with nationalisations of 'ailing' enterprises and public sector employment expansion as a form of employment policy (Karamessini, 2009). In spite of these efforts, unemployment continued to rise until the mid-1990s.

It was within this economic and industrial relations context that unions and employers agreed to fill the long-standing gap of continuous vocational training. In the national collective agreement of 1988 they agreed to establish a training fund (ELPEKE) financed via an employer levy standing at 0.2% of total pay (Demetriades, 2002). The aims of this fund were to up-skill the workforce and improve labour productivity across the Greek economy. In tandem with the momentum created from the consensual modernisation of the collective bargaining system in 1990, the two sides further increased the employer levy to 0.45% of total wage bill in the national agreement of 1991/92. However, this increase came with strings attached. Both sides asked for legal assurance of their autonomy to supervise the Fund and pushed the government to take regulatory initiatives in this direction.

While this institutional innovation to fill gaps in vocational training represents an important turning point, the most interesting development is the establishment of a second Fund. In a labour market context of soaring unemployment –near 15% in 1993– the unions took advantage of the momentum to express their solidarity with the unemployed. Under the guidance of GSEE president Lambros Kanellopoulos, they demanded the creation of another Fund to provide training for unemployed (EKLA). The negotiations were successful and the establishment of the second fund was included in the 1993 national collective agreement. The agreement provided that this fund would cover risks of vulnerable social groups from unemployment, especially: long-term unemployed; youth unemployed; ad hoc programmes for depressed areas; and programmes for re-integration into the labour market. It was

agreed that if unemployment rates improved, social partners would re-consider this issue. Nonetheless, high unemployment rates were persistent throughout the 1990s. As a result, the two sides agreed in the 1998 agreement to extend the Fund to the financing of healthcare insurance for young unemployed.

The government welcomed these initiatives which complemented the EU financing for training programmes. Indeed, a series of Laws (2224/1994, 2336/1995 and 2434/1996) regulated the collective bargaining provisions and eventually merged the two funds (ELPEKE and ELKE) under a single banner (LAEK), which came to be known as the 'Social Solidarity Fund'. The distribution of the funds was made with the technical support of Greek Employment Manpower Organisation (OAED). Firms which provided training programmes for their employees could claim reimbursement of their costs from the Fund. This was an incentive mechanism to reward firms that provide training and –indirectly- sanction firms that do not. Admittedly, training is a policy-area conducive to positive-sum and consensual outcomes. However, financing the training for unemployed was a remarkable initiative of unions to cover a gap in public welfare provision. Given that unemployment in Greece is heavily concentrated on youth and women –who are relatively ununionized– these actions to cover social risks for broader constituencies manifested a clear redistribution of resources from 'insiders' to 'outsiders'. Even more, the policy-area of training was marked by a 'double-shift'. On the one hand, training structures underwent a vast privatization through proliferation of private Centres for Education and Training (KEK) taking advantage of EU funds (Prokou, 2008:134). On the other hand, the state retreated from financing training for workers: funds came either from the bi-partite fund (LAEK) or from EU resources (European Social Fund).

Overall, the historical void in continuous training for employed or unemployed was explained by the residual character of the welfare state, the predominance of SMEs, and the confrontational model of Greek industrial relations. In the late 1980s, confrontation was partly retracted and this allowed unions and employers to step in

and fill welfare gaps via collective bargaining agreements. In the face of soaring unemployment, unions took a new mode of action, catering the interests of vulnerable groups. Unlike Hacker who foresaw an inevitable shift towards privatisation, the trajectory of change was more nuanced; privatisation of training structures occurred, but financing was partly collectivized. The Greek case suggests that collectivisation may even be targeted to those vulnerable groups that fall outside welfare state provisions, and unions may protect typical 'outsiders' resuming their role as 'swords of justice'.

Collectivization as a New Source of Political Conflict?

Our study of social partner take-up of welfare and social policies lends support to an alternative argument in the welfare state literature. A possible objection to this argument relates to the extent of risk coverage from social partners' agreements. Social partners indeed lack the deep financial pockets of the state; therefore, they are unlikely to share the universality of welfare states coverage. But direct financing is not the only path to cover new risks as the Italian case demonstrates. Substantive regulation of the employment relationship remains the main function of collective agreements, and 'new risks' may involve containing the proliferation of atypical contracts. We do, nonetheless, claim that social partners can act as insurance providers, in times when states forsake their welfare responsibilities. The Dutch and Greek cases neatly demonstrate this possibility; Dutch social partners assumed the partial financing of disability insurance, while Greek unions financed training for employed and unemployed.

Our cases suggest that collectivization of social risks, which emerge from pre-existing gaps or are created by welfare state change, have the potential to widen the collective bargaining scope. Little has been said in the literature about unions'

ability to shift bargaining towards salient, non-wage issues. Instead, we find evidence that welfare restructuring may hold a silver lining for unions. Even in cases where unions were strongly opposed to welfare reform, they managed to successfully shift issues, previously in the hands of the state, into the collective bargaining realm.

In the aftermath of such success, the increasing influence of social partners has the potential to trigger new and unpredicted political conflicts between them and the state. In our study, we find that post-collectivization, political conflict ensues. Our reading is that social partners' initiatives may conflict with state's reform agenda or create ambiguities over policy jurisdiction. In the Dutch case, social partners' success in 'WAO repair' led the Minister of Social Affairs at the time, Bert de Vries, to reconsider the 1937 Act on Generally Binding Agreements which plays a crucial role in extending the coverage of bargaining agreements. In 1991, some three quarters of sectoral collective agreements (141 out of 190) were declared generally binding through their respective sectors (EIRR, 1995b). De Vries' desire to limit extension was partially attributed to his frustration that the law undermined government's disability reform in the 1993 and 1994 bargaining rounds. After the WAO repair debacle, Minister de Vries initiated a controversial political discussion to limit the use of extension by applying more stringent criteria to an agreement's conformity with public policy, or to restrict its use to specific sections of the agreement. While de Vries' proposals did pass Parliament, it met fierce opposition from unions and employers in the Social and Economic Council. The proposals were dropped, but gained momentum with the succeeding Minister of Social Affairs, Ad Melkert, who threatened to withhold extension where agreements did not provide minimum wage pay scales, one policy of his low-skilled jobs agenda.

In Italy the partisan shift which took place with the formation of a new Berlusconi government created a serious risk to the collectivization process. The Biagi Reform (d.lgs. 276/2003) introduced further atypical forms of employment and re-regularized previous ones, by eliminating the co.co.co. contract. Berlusconi's

Government tried to restrict the space for collective bargaining, legislating that, in the absence of state legislation or collective re-regularization, individual bargaining between firms and workers would become legitimate. Berlusconi endorsed a new policy stance, previously unknown, whereby if a collective agreement was not concluded, the previous agreement would apply on new contracts: thus opening the door for individual bargaining. Despite the potential for disruption, this new policy failed to take root. It did not replace previous arrangements, but was simply placed next to them. This prompted social partners, in particular unions, to ensure that individualized bargaining was sidelined (Rodano 2004).

Finally, the Greek case also demonstrates an emergence of political conflict, yet in a different context than the Dutch. Ironically, the training fund became a victim of its own success. As the reserves of the Fund increased substantially during the 2000s⁴, its revenue stream drew the attention of the cash-starved centre-right government. Following a collapse in tax revenues and soaring of tax evasion, the government sought to tap unions and employers 'common pool of resources' and reduce their autonomy. In 2007, the president of the Manpower Organization made an unauthorized transfer of funds from the LAEK account to the Manpower Organization accounts. The unions pressed charges against the President, while the employers association requested an urgent financial audit and the immediate transfer of the Funds to an independent organization. In early 2009, all the reserves of the Fund were completely transferred to accounts of Manpower Organization. This was made with an extraordinary government intervention against the will of both unions and employers. The peak labour association GSEE protested against this decision, but in vain. By mid-2009 when the (hidden) budget deficit was ballooning, the government used the bipartite Funds for anything but training: from clientelistic recruiting in civil service to farmers' subsidies, leading to a public outcry from unions and employers. With the change of government to the centre-left in 2009, the president of the Manpower Organisation was replaced. The new president met with

the leaders of GSEE and SEV in 2010, presenting to them the financial situation of the Manpower Organisation -condemning earlier practices- and agreed with them on a plan to restore the reserves of the Fund.

Conclusion

The paper sought to contribute to the debate on welfare state change by arguing for an overlooked alternative to privatization: collectivization of social risks. Hacker (2004) provides a convincing account of more retrenchment taking place than meets the eye. Yet, we sought to qualify his argument, claiming that differentiated outcomes result from such processes, at least within the European context. In line with Trampusch (2007a; 2007b), we provided additional evidence that unions and employers may fill gaps in welfare provisions or regulation via collective bargaining. While Trampusch examined instances of collectivisation which originated in Continental European economies that shared a tradition of social partnership, we examined cases where collectivisation is 'least-likely' so as to enhance the plausibility of this argument.

The common thread linking our cases is that the meaning of collectivisation was equivalent in each context: once pressing social risks became manifested, collective agreements were utilized by social partners to address the rising concerns. In the Netherlands, unions opposed government's reform of disability benefits which would have left workers to their own remit via active, and cohesive, opposition throughout sectoral bargaining arenas. In Italy, atypical workers' unregulated status was mitigated by unions' direct negotiations with employers to contain welfare risks associated with temporary, part-time and marginally regulated work. And in Greece, the growing risk of continuous or recurrent unemployment faced by young and female workers, because of an absent training provision, were curtailed by the set-up

of collective training funds. In sum, these instances of collectivization provide an alternative to the dreary predictions of welfare state privatization in the post-industrial age, and offer socialised alternatives to mere the individualisation of welfare insurance. Moreover, they also have wider relevance for debates in political economy and comparative industrial relations.

A strand of the political economy literature has caricatured trade unions as representatives of 'insiders' and argued that when unions are challenged with welfare retrenchment, they become selfish and fight for themselves and the members represented, to the detriment of outsiders (Saint-Paul, 1993; Rueda, 2005). Instead, our cases suggest that unions may resume their role as a 'sword of justice' and cater to the interests of typical 'outsiders' such as unemployed or precariously employed (in the case of Greece and Italy). Furthermore, given the scope of some of these welfare policies (i.e. disability insurance in the Netherlands), it is unsurprising that union action benefits non-union members; self-centred action, for the sole benefit of insiders, is not always viable. Moreover, this argument is all the more pertinent, since welfare and labour market reforms (e.g. in the case of relaxing employment protection) frequently occur 'in the name of outsiders'. We can therefore expect that unions may increasingly encompass non-represented workers within their bargaining agenda as welfare benefits are slowly withdrawn.

Finally, our cases are likely relevant for debates in comparative industrial relations. Despite global decline in union membership, the cases suggest that unions are not institutional dinosaurs helplessly dying out. Instead, they can use gaps in welfare state provision as a 'ladder' to overcome the 'snakes' of the post-industrial age (Crouch, 2000). Welfare state restructuring does indeed offer unions opportunities to become important players in welfare provision. Even more, these opportunities may be congruent with 'coalition building' strategies (Frege and Kelly, 2004: 35) to reach broader constituencies and revitalise membership (Clegg and Van Wijnbergen, in this issue). These opportunities do come with strings attached. They

carry the possibility of increased frictions with governments, while their reach of coverage is not near the universalism of welfare state. Nevertheless, we seek to point out that in the face of welfare retrenchment and membership decline, unions have not merely been on the defensive; they have proved resilient, taking novel initiatives to prove their continuous usefulness. That they are then seen as a threat by policymakers can be read as indirect evidence for their success.

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¹ A complete list of primary sources and interviewees is available from the authors upon request.

² The response of governments to collectivization is more complex and we will come back to this in the fourth section.

³ Top-ups in the Vroom and Dreesmann company agreements, the first concluded in the 1993 round, were financed entirely by employees.

⁴ The exponential increase in reserves is explained by low take-up from small firms. However, this problem was addressed subsequently with the establishment of a separate LAEK programme called “1-25” specifically for firms up to 25 employees.