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1 Introduction: Institutional Change in Neo-Corporatist Society

The Nordic model of neo-corporatist society attracts attention, not unexpectedly, in a mix of applause and disbelief. Numerous international rankings of quality of life, gender equality, welfare state provisions and even protection of property rights consistently put the Nordic countries in the top 10 or even top five groups among the world's nations. Remarkably, *The Economist* (2013) followed up in a lead article: "The Nordics cluster at the top of the league tables in anything from economic competitiveness to social health and happiness".

But is this not too good to be true? Denouncements of the Nordics are not lacking. The extensive welfare state entails unacceptable taxation and corresponding losses in economic growth, according to the Cato Institute (Mitchell, 2007). Behind the curtain of the almost nearly perfect people, paternalism and cultural isolationism is reigning, Booth (2014) laments in a joking tone, seemingly with a serious intention. Now, desirable states obviously come at some cost, as it is with Nordic societies. A more noteworthy question, maybe the most challenging, is raised by a report from the think tank Civita: "Can we afford the future?" Is the welfare state as we know it a viable project? (Fasting, 2014)

Reflections on the future of the Nordic model presuppose knowledge about its developments and changes over a long time period. The viability of social structures and social arrangements is dependent not only on economic resources but just as much on the fabric of institutions where they are inscribed. In studies of the Nordic model, however, from Esping-Andersen's *Politics Against Markets* (1985) to the recent *The Nordic Model of Social Democracy* (Brandal, Bratberg & Thorsen, 2013), a broad focus on institutional change has been virtually absent. Hence, in this book processes of and capacities for institutional change are scrutinized. If the Nordics have maintained their specific models for labour market coordination and welfare state arrangements through their ability to adapt to new conditions and change institutions without losing their basic foundations, how did the institutions that enabled such patterns of incremental change emerge, and how do they work today?

Compromise and coalitions are at the heart of institutional change processes in these societies. In some of the following chapters, important institutions are put in place as a result of antagonistic parties agreeing on an alternative that is the "least worst" (Falkum on the Basic Agreement or Hagelund & Pedersen on the Agreement for an Inclusive Working Life). The layering of a new set of rules on top of existing institutions seems to be a typical avenue of reform, where diverse interests are able to find common ground. But beneath compromise is conflict, even in these relatively peaceful societies. While corporatist modes of collective engagement have structured, and at times worked to mellow, processes of institutional change in working life and

parts of welfare policy, there are also policy fields where the conflicts are less contained. In family policy, for example, fronts are sharper and the outright displacement of rules complement the otherwise dominant pattern of layering (Ellingsæter, this volume).

The scholarly literature of the past decade has seen a fruitful growth, both theoretically and empirically, in theories of institutional change. The theoretical development opens up a fruitful avenue to empirical studies of social change on a large scale. This is what we offer in this book: Empirically grounded analyses of institutional change in core working life and welfare state institutions in Scandinavia, with a special focus on Norway, ranging from property rights, boardroom politics and wage formation to old-age pensions, care work and childcare policies.

There are strong reasons for skepticism over general theories of social change comprising societies as a whole. What is usually called “societies” in the meaning of nation states are too complex and too fuzzy to be the object of all-comprising theories. In various ways, this was indicated a long time ago by Raymond Boudon (1985) in his thorough study of various theories of social change and by Michael Mann (1986) conceiving large-scale social change as taking place in several semi-autonomous sets of social networks. This does not preclude large-scale analyses of social change, but requires disaggregation of processes to a somewhat lower level – that of social institutions. The strength of recent theories of institutional change is that they make credible the ambition to combine broad institutional level theory with thorough and rather detailed empirical studies. An early example is the collection on *Varieties of Capitalism* (Hall & Soskice, 2001), where the concept of “bundles of institutions” plays a major role. A weakness of this fruitful work is that it tends to be static, assuming that institutions are virtually immovable. Recent work covering parts of the Nordic model, overcoming this weakness, is the comparative research by Kathleen Thelen on *Varieties of Liberalization* (2014) and by Cathie Jo Martin and Duane Swank on *The Construction of Business Interests* (2012).

Theories of institutional change serve as stepping stones for the following empirical studies. In describing the emergence of central parts of the model, a key point is to call attention to the inconsistencies, incompatibilities and conflicts that necessarily are part of any social regime, including the Nordic model. The conception of a Nordic model does not assume the Scandinavian countries to be similar in most or all matters of interest. There is considerable variation in political regimes and economic structures (Sejersted, 2001; Stråth, 2001), and recent changes have to some extent pointed in different directions. Thereby, comparison between countries in the Nordic area is of interest – something that is found in several of the contributions here.

At the same time, the main focus is on the case of Norway. One methodological advantage of this approach is that Norway is the country where neo-corporatism has developed the furthest and has been best preserved. Hence, it represents one extreme value on a general dimension of “social pacts”, or state/society interplay, which to varying degrees is found in a number of European countries (Avdadic, Rhodes &

Visser, 2011). Drawing up a dimension of degrees of neo-corporatism in Europe, the UK would occupy one extreme position of low institutionalization of employment relations, whereas Norway would be placed at the other end of the spectrum. As an extreme case, Norway is well suited to study institutional changes which are not primarily driven by crisis, but where social and political reform has the character more of an ongoing concern.

1.1 Scandinavian Specificities

The institutional specificities of Scandinavian societies date back much further than the advent of social democracy. By the beginning of the 18th century, they had a relatively efficient state bureaucracy. The existence of a formalized Protestant state church also contributed to the formation of the centralized state power. Unlike several other European societies, the combination of secular and religious power was never seriously contested.

This also had a crucial consequence for later developments of democracy. As part of the preparation for the compulsory confirmation of the Protestant Church, adepts had to learn to read the Bible in the national language. Thus, literacy in the population was almost complete by the beginning of the 19th century. In turn, this became a precondition for diffusion of liberal thinking during the industrialization and modernization processes of the mid-19th century, mostly in Norway and Denmark, not least in opposition to monarchic power and its central bureaucracy. Thereby, the processes of democratization, stretching over the entire 19th century, took the shape of democratization from the inside, within the confines of a relatively well-functioning state. Reform, not revolution, became the obvious and legitimate mode of social change. In the long run, class conflict, in line with Dahrendorf's (1959) analysis, was transformed into an institutionalized class compromise.

Social movements came to play a key role in Scandinavian political history in the latter half of the 19th century and for Norway were most pregnantly formulated by Stein Rokkan (1967) as the "counter-cultures" of the temperance movement, the language movement, and the lay Christian movement. In Denmark, the movement founded by the liberal preacher Grundtvig had a similar influence on education and cultural life. A common trait in these movements was their politically transformative power; they established new policy fields and politically based institutions by "conquering" a decisive position in the state within their respective fields.

The most powerful transformation, however, stemmed from the labour movement. Almost simultaneously, around the turn of the century, scattered trade unions were united into a trade union federation in Sweden, Denmark and Norway. In parallel, employers organized into national federations as well. The road was thereby paved for national wage agreements between the labour market parties and subsequently for the establishment of basic agreements specifying modes of collective bargaining

and formalizing rights and duties on both sides of the employment relation. In Denmark, the first basic agreement was signed in 1899, Norway and Sweden followed in the latter half of the 1930s. In all three countries, the emergence of organizing labour market relations was followed up in politics by political regulations of labour conflict through the establishment of labour courts and legislation regulating strikes and lockouts. The field of compromise and cooperation grew from the early post-war period, resulting in broadly based national wage bargaining systems. It eventually also led up to the parallel introduction of new forms of workplace democracy in the 1970s in all three countries, embracing employee participation in health and safety committees on the shop floor, as well as employee representation on the boards of joint-stock companies. Together they constitute a neo-corporatist system, with precarious power balances between the state, employer federations and trade union federations.

The willingness to compromise on the opposing labour market interests was not only a result of internal organizational development, but should be seen in light of certain characteristics of the economy. Despite different economic resource bases, the Scandinavian countries have in common that they are small and open economies; the fierce competition in the world market invites domestic cooperation and simultaneously a high degree of attention to the necessity of increasing productivity (Katzenstein, 1985; Moene & Wallerstein, 2003). The class compromises of the early 1900s in turn became the basis for the growth of the welfare state from the 1940s, most clearly pronounced in the Swedish concept of “folkhemmet” – the home of the people. This also secured the trade union movement a key position not only in bargaining over wages and working conditions, but in the much broader fields of social policy, pension systems and vocational training.

A marked expansion in the Scandinavian neo-corporatist system up to the 1980s was followed by considerable adjustments in the early 1990s and was most clearly pronounced in Sweden, when employers withdrew from any form of direct tripartite cooperation. National wage bargaining has to some extent been decentralized, more so in Sweden and Denmark than in Norway. At present, Norway has by far the most formalized bargaining system of the three, as well as the strongest tripartite elements. In their agreement on the “Solidarity Alternative” of the 1990s, employers, employees and the government collaborated towards the aims of competitiveness and full employment through central coordination and moderate wage growth. The spirit continued through a row of public commissions with the social partners present, that work to update and adjust the parties’ shared understandings of problems and secure continued support for the model of coordination (Andersen, Dølvik & Ibsen, 2014). Modifications and changes in Nordic neo-corporatism should not detract from the fact that contact and cooperation between unions, employer organizations and the state is still closer in all of Scandinavia than in the rest of Europe (Avdagic et al., 2011). Cathie Jo Martin (this volume) stresses precisely this point – the development

of institutions for political negotiation and rules for political engagement as a fundamental characteristic of the Scandinavian countries.

Adjustments have also been made in welfare state provisions. In Sweden and Denmark, there are clear signs of retrenchment, while the generosity of Norwegian social security schemes to a greater extent has been maintained. However, in all countries, the social political tendency goes in the direction of activation, and the high level of decommodification stressed by Esping-Andersen (1990) is being moderated. Active policies are established with the aim of incorporating ever new groups – single parents, refugees, those of ill health, the elderly – into the labour market. Old-age pension schemes have been the object of renegotiations and significant alterations both in Norway and Sweden, and further adjustments seem necessary and highly probable as the population is ageing despite comparatively high fertility rates (Hagelund & Pedersen, this volume).

Globalization means globalization of capital flows and a relative weakening of political governance in the economy. In particular, global migration flows imply internationalization of labour markets, in some industries putting considerable pressure on established regulations in working life. Sweden has long been a country of immigration and an exceptional case in Europe with respect to its liberal policies towards refugees. In Norway in particular, the extension of the European Union (and thus of the European Economic Area of which non-EU Norway is a member) combined with high economic growth and demand for labour have led to large-scale immigration from the new EU countries, thereby transforming the basic premises of working life arrangements in industries such as construction and cleaning (Nicolaisen & Trygstad, this volume).

Nevertheless, adjustments have made it possible to retain the main elements in the Nordic model (Dølvik, 2007; Thelen, 2014). Challenges to the model are notable but may possibly be overcome as long as popular support for the welfare state is unshaken, as it seems to be for the foreseeable future. The Scandinavian societies – and Norway to a possibly higher degree – have moved from a mode of change connected to building the welfare state, to a mode of defence and adjustment of the model in the face of challenges from outside. This gives the Nordic countries a particular reform dynamism based in large-scale bargaining and compromises.

So far, emphasis has been placed on the social partners – the labour market organizations – and their relationship with the state. But we cannot consider the state without taking into account the significance of political parties and changing government power. Traditional theory of partisan politics assumes a linear and direct relationship between the type of party in power and policy output – for example, the more left the government, the more generous welfare policies will result. Recent research questions this assumption, underscoring the importance of context and institutions to understand the preferences and actions of governments (Häusermann, Picot & Geering, 2012). In the Nordic context, the power resource approaches of Walter Korpi (1983) and Gøsta Esping-Andersen (1985) have emphasized the role of

social democracy in shaping core institutions in ways that have also engendered vital coalitions between the working and middle classes. The Scandinavian countries are undoubtedly characterized by stability and consensus over crucial policy areas. This is reinforced by the dominance of egalitarian values. Still, the party system is also a source of tension and political conflict that may not result in grand upheavals when government power shifts, but instead, as each party tries to put its mark on policy without rocking the main course of the Nordic model, leads to the myriad of incremental changes and adaptations that make up the stability through the change patterns we are exploring here.

In the following chapters, cases of this reform dynamism, with its pit holes, backlashes and processes of trial-and-error, are analyzed in an institutional perspective to make visible the balance of stability and change, and thereby to contribute to reflection over the conditions of sustainability of the Nordic model generally, and more specifically of the Norwegian variant.

1.2 Understanding Institutional Change – Theoretical Inspirations

Like many other social science concepts, the notion of “institution” is a slippery one. In this book, it is conceived quite conventionally as macro regulations of social behaviour by organizations, groups and individuals. Institutions are based on formal elements such as legislation, bureaucratic regulations or large-scale agreements. Simultaneously, rules and regulations must be interpreted and are the object of normative reflection. Hence, normative and cultural-cognitive aspects are equally part of institutions, as pointed out by Scott (2008, p. 48) and Schmidt (2002). Institutions vary in their scope and often take on a nested character; as a simple example reflected in several of the chapters of this book, working life may be seen as an institution, in a more narrow meaning the enterprise is an institution, and within the enterprise, the board of directors or employer–employee relations constitute institutions. In the political sphere, it also makes sense to regard long-term policy engagements as institutions (Pierson, 2006; Teigen, this volume).

But why concentrate on institutions if the topic is social change? Alternative modes of thinking are not lacking. Typical historical expositions mainly rest on a narrative approach. An example close at hand is Francis Sejersted’s (2011) masterly dual portrait of Sweden and Norway in the 20th century, conceived in terms of the rise and fall of social democracy. At the other end of the spectrum, institutions are deprived of their specific meaning by being reducible to rational choices, as in the seminal discussion by Demsetz (1967) of the transformation of commons into private property. Important as they are, these approaches too easily become formulaic. Politics are enacted in time, Paul Pierson (2004) emphasized, and develops along a variety of paths. Historical transformation must take in both regulatory and innovative perspectives, Kathleen Thelen (2012) underscores. The advantage of the focus on institutional

change is that complex patterns of social action are highlighted on the one hand by depicting social behaviour as relatively stable and rule governed, but on the other hand as directed to changes in these rules, be it by specific reformative actions or by aggregate effects of a plethora of actions and preferences. That regulations are both restricting and enabling is only half of the story; they are also affected by dynamic processes changing the patterns of restriction and enablement. This is true for the distribution of social resources; in parallel, institutional variation becomes a source of variation in normative deliberation (Holst, this volume).

Approaches to institutional change are manifold (Hall & Taylor, 1996; Thelen, 1999, 2012). The aim here is only to present the conceptions which are most relevant to the empirical studies collected in the book. A relative simple model, which stands in contrast to many (but not all) of the studies in the book, is characterized by the notion of “punctuated equilibrium”. This implies that societies mostly endure in a sort of relative equilibrium and proceed along existing paths. Changes are due to external shocks, be it a war or an economic crisis, which constitutes a critical juncture. A “window of opportunity” is opened for the creation of new rules and a new course of action, until the occurrence of the next external shock with ensuing revision of rules and policy paths (Collier & Collier, 1991). Albeit simplistic, this theory has an intuitive appeal. In many instances, it takes some sort of crisis consciousness before reforms are initiated, such as, for example, in the legal regulation of banks and financial markets occurring more easily in the aftermath of a financial crisis. Among the empirical studies, critical junctures are depicted in the chapter by Nicolaisen & Trygstad on the effects of migration waves to the Norwegian labour markets after the extension of the EU in the early 2000s. Likewise, the introduction of New Public Management in the home care sector became a critical juncture for trade unions and care workers alike, as discussed by Vabø (this volume).

A problem with the theory of critical juncture lies in its conception of the repetitiveness of regular social processes. Shifting the focus to incremental transformation opens up a more nuanced picture. In her contribution to this volume, Cathie Jo Martin goes into the micro foundations of institutional change and explores various modes of negotiation and how they affect outcomes. Central in this connection is how negotiating parties define their own roles and long-term prospects. A salient factor is the degree of myopia in bargaining, the tendency for the parties to focus solely on short-term gains and their own narrowly-defined interests, at the cost of more advantageous outcomes in the long run. Myopia is diminished by reciprocal trust and by institutional structures, such as repeated interactions and the use of non-partisan expertise – features that are crucially present in, for example, collective wage bargaining at the national level.

In his *Politics in Time* (2004), Paul Pierson refines the theory of critical junctures and path dependency in order to explain tendencies towards institutional stability and not simply take them for granted. Here, he points to four types of mechanisms. First is *problems of coordination*. In line with theory of collective action, even if actors

have a common interest in a given goal or in avoiding a certain outcome, deficient patterns of contact or general preferences for acting as a free rider result in the preservation of status quo. Second is processes of *positive feedback*. Institutional arrangements working fairly well over a certain period of time tend to be self-reinforcing. By accepting a given set of rules, actors also adjust to them, maybe even broaden their extension. This in turn affects attitudes and expectations, thus narrowing the relevant set of alternatives in future dispositions. The reinforcement and extension of the Basic Agreement in Norway in the post-war years is a case in point (Falkum, this volume). Third is *veto points*. Actors may exercise control over salient social resources and thus be able to prevent changes, even if they are deemed rational and necessary by other actors. Unsuccessful attacks on sick leave payment provide a telling illustration (Hagelund & Pedersen, this volume). Fourth is *asset specificity*. The resources controlled by actors, such as money, real estate or technological know-how, are limited to a specific set of situations and transactions. Given that changes also affect the value and usefulness of resources, powerful actors will have a strong motive to preserve arrangements in which they get the most out of their own resources (Pierson, 2004, pp. 142-153).

These are powerful mechanisms contributing to the continuation of a given institutional pattern. Moreover, what we see in our cases are situations of relative normality and certainly no real crisis or shock where changes are still occurring. There were no external shocks setting in motion cash for care policies (Ellingsæter, this volume) or women's boardroom quotas (Teigen, this volume), but rather changing political constellations or even single-handed political entrepreneurs. However, Pierson also points to sources of institutional change, and underscores that such changes may be invisible in the short run and need to be observed over a long time period. One source is *changes in the environment*, much in line with the theory of external shocks. A second set of mechanisms has to do with *changes in preferences*. Actors change their goals or their conception of the means to reach these goals. There is necessarily turnover among the incumbents of social positions, and new people often come up with new ideas. The loss of confidence among trade union officers in the Company Assembly as a democratic instrument is a good example (Hagen, this volume). Finally, institutions have *multiple effects*, whereas actors are myopic, with the unavoidable result of important sets of unintended consequences (Pierson, 2004, pp. 109-122) and unpredictable processes. The complex process leading up to the adoption of gender quotas to boards of directors (Teigen, this volume) is a case in point.

The work of Kathleen Thelen marks a contrast to the idea of critical junctures and path dependency. She puts a different and even stronger emphasis than Pierson on the effects of permanently ongoing actions, which, viewed in isolation, may appear insignificant but nevertheless may entail significant aggregate effects. Institutions are changed not only due to political decisions, but are also shaped by ongoing processes both outside and inside the institution. Thelen's emphasis on

agency accords great importance to power and power struggles as explanations of the emergence and change of institutions. At the same time, she underscores the salience of relative stability of institutional patterns as a context for action. Positioning herself in relationship to the Varieties of capitalism literature, she criticizes the tendency to exaggerate the stability in the institutional bundles, whereas in opposition to what she terms Pragmatic Constructivism, she underscores the salience of structural restrictions to political action (Thelen, 2012).

In a series of papers and chapters, Thelen and colleagues have elaborated the mechanisms of institutional change through aggregate processes (e.g. Thelen, 2004; Streeck & Thelen, 2005; Mahoney & Thelen, 2010). Four types of mechanisms are discussed: displacement, layering, drift and conversion. *Layering* is probably the most common type of reform; here, a process of sedimentation is taking place by adding new elements to the old ones. An example is the introduction of New Public Management in public services while existing modes of governance were preserved (Vabø, this volume). *Displacement* is a more radical form of change, where one institutional arrangement is supplanted by another. A possible illustration is the transfer of the main responsibility for labour protection from an external control agency to a committee manned by employers and employees within the company (Engelstad, this volume). Displacement and layering are processes that to a large extent are linked to large-scale political decisions. *Drift*, on the other hand, is the result of changes in the environment leading to changes in the functioning of the institution. Thelen's work on changes in vocational training in Germany is a telling example; similar processes are depicted in the emergence of the present system of vocational training in Norway (Nyen & Tønder, this volume). Another example of drift is found in Olberg's analysis of changes in the institution of temporary layoffs. Finally, *conversion* means that an institution remains formally unchanged but fulfils quite different functions than those performed earlier. Svalund's (this volume) analysis of dismissal processes in Scandinavian enterprises exemplifies how institutional variation appears when rules are interpreted and enacted in different ways locally despite unchanged formal rules. The Norwegian Labour Inspection Authority may offer another example. The institution of labour inspection has remained virtually untouched over a long period, but its working has changed drastically. Physical control by visits to companies was replaced by requirements of companies to set up health and security plans; it is these documents that are the object of inspection, not the physical workplaces. However, when the new regime of compliance and trust is threatened in some industries, the possibility of re-conversion is introduced (Nicolaisen & Trygstad, this volume).

Ideological factors and the power of ideas and discourse are aspects that are seemingly neglected in much of the institutionalist literature, a lacuna which Vivien Schmidt (2002, 2009) among others has attempted to bridge with the headline of discursive institutionalism. She has pointed to how institutional change is facilitated or barred by the discourses policy makers and politicians use to negotiate and argue for policy reform. Schmidt distinguishes between four fundamental functions performed

by discourse in the policy process. The *cognitive* function of discourse is to define the purposes of policy reform and the problems it is set to solve and to offer policy instruments and appropriate methods. This is illustrated by Hagelund & Pedersen (this volume). The *normative* function of discourse involves demonstrating the policy programme's consistency in terms of political goals and ideals – for example, by appealing to national values and identities. A related topic is brought up by Holst (this volume) in her discussion of normative variation in conceptions of equal pay. While these two functions belong to the ideational dimension of discourse, the next two make up the interactive dimension. Here, the *policy discourse* plays a coordinative function by creating a common language (epistemic community, discourse coalition) whereby different actors can communicate and come to agreement on a specific policy programme (e.g. Ellingsæter on care for cash policies). Finally, the *communicative* function of discourse is about how policy actors are able to communicate a policy programme to the public (e.g. Teigen on the introduction of gender quotas on boards.)

There can be no interesting Theory of Everything; this is true also for theories of institutional change. Each of the theories presented above have their strong and weak sides. Although partly formulated in a language of critiquing the other, there are no serious inconsistencies between them concerning methodological or epistemological perspectives. They all are based on a general conception of agency, even though they to various degrees specify structural elements or processes of social action. The main difference rests in their varied focus on process types, dominant mechanisms and time perspectives. The fruitfulness of combining different theories follows from the structure of the problem to be studied.

1.3 The Politics of Compromise

The empirical studies in this volume to a large degree examine reform processes which are not so much the product of external constraints, but are born out of general social reformism. In most cases, efficient compromises cannot be enforced by one party on the basis of superior strength. It takes bargaining resulting in some sort of agreement to secure stability. A salient point is whether bargaining takes place solely on the basis of the parties' unilateral interests mediated by their reciprocal dependency, or whether it is linked to institutionalization processes. That bargaining will be more stable if it takes place within the context of an already legitimate institutional framework, and even more so if it leads up to further processes of institutionalization, had already been pointed out by Dahrendorf (1959). This will diminish tendencies of negotiation myopias and avoid excessive attention to short-term gains and corresponding self-serving motivation, as demonstrated by Martin (this volume). She suggests that the inclusion of non-partisan expertise into the negotiation process, repeated interactions and penalty defaults are institutional factors that work to encourage such inclusive negotiation. These are the patterns of institutionalized

bargaining that tend to characterize much of Scandinavian working life and welfare states. What the different cases are unravelling, however, are the myriad of ways in which these politics of compromise are enacted.

A historically crucial example is the establishment of basic agreements in all the Scandinavian countries. Their emergence presupposes the solution of a collective action problem, as Falkum's chapter illustrates. It was the complex constellation of state, employer association and trade union federation that made these agreements possible. The labour market parties made ideological sacrifices in order to reach a compromise but won a position of political influence, as well as labour peace. In Norway, on a par with the other Scandinavian societies, the wide-reaching class compromise established with the Basic Agreement paved the way for tripartite wage bargaining and became a decisive building block for the welfare state – both products of the 1960s. The reforms of workplace democracy of the 1970s were in many ways traceable to quite strong tensions in working life during the 1960s, but they also reflected an ongoing reform endeavour driven by the Labour Party and the trade union federation, and to a large extent accepted by the employers as well. The character of trial-and-error in institutional change is highlighted in the long-term development of workplace democracy in the persistence of employee representation on the board of directors and the demise of the Company Assembly (Hagen, this volume).

The drive behind these institutional changes is not only material interest and peace in the workplace, but normative commitment as well. Albeit not reducible to material interests, these norms are to a large extent shaped by the institutional frameworks of the class compromise and were not feasible without a dialogue between the three parties of state, labour and capital. This is demonstrated by Holst (this volume), showing how alternative conceptions of justice in wage formation are molded by the organizational and institutional context – in this case, the order of collective bargaining. The same is true for variation in conceptions of property rights, as discussed by Engelstad (this volume). Property rights remained unmentioned in the Basic Agreement, something that was a condition for the establishment of the original agreement in 1935, and simultaneously it allowed for redefinitions of the precise meaning of property rights in the light of other, competing normative concerns.

Scandinavian neo-corporatism and structures of tripartite negotiation also include the labour market parties in wide-ranging bargaining on matters that point beyond the labour market in a narrow sense. Publicly funded pension systems and sick leave payment are obvious examples (Hagelund & Pedersen, this volume). The existing tripartite bargaining arrangements, or what remains of them, become a natural framework for such bargaining processes. Regarding sick pay, employers partly fund the sick pay (for the first two weeks), and the workplace has been identified as the crucial arena for measures to reduce sickness absence (through improving the work environment and adapting work conditions to workers with health problems). In regards to old-age pension, reforms of publicly funded pension schemes will interact

with the structure of labour market-based pension schemes, making reforms of the latter crucial to the implementation of the targets of the former.

Most of the time, reforms modify but still build upon existing arrangements. Only in exceptional cases are they implemented from scratch. This highlights the salience of layering as a mode of institutional change in the Scandinavian reform societies, as in the generous Norwegian sick pay where new layers of control and activation measures were added to the economic instruments. The result of layering may be that the old and new elements reinforce each other – but also the opposite, resulting in long-term tensions between the old and new parts. Over time, the old elements may contribute to weaken the new, thus preserving the status quo, or the new parts may eventually displace the old ones. In this book we find many such examples of tensions between elements in reform. One is the failure of the Company Assembly (Hagen, this volume). Another is the conflict between New Public Management (NPM) governance and professional norms in local welfare services (Vabø, this volume). Still another illustration emerges from the analysis of reforms of the Norwegian system of vocational education and training (VET). Stronger elements of theoretical training have been introduced into the VET system. One consequence is signs of academic drift in the vocational training system, especially in service educations. Many students leave the VET programme and transfer to a higher education path, thus in practice undermining the ambitions of strengthening VET by way of giving such training a more solid theoretical basis (Nyen & Tønder, this volume).

Several chapters in this book point towards the driving force of ideas and discursive processes for institutional change. Anne Lise Ellingsæter identifies a powerful discourse of “parental choice” in the evolvement of Scandinavian family policy. The cash for childcare schemes that have emerged in both Finland, Norway and, to a lesser degree, Sweden over the past few decades stand in peculiar contrast to the otherwise strong emphasis on women’s employment and subsidized daycare for children below school age. The ideas date back to the 1960s male breadwinner/housewife family ideals. Over time the original arguments have been adapted to the social realities and political rhetoric of the post-industrial society, where housewife ideals are rejected but where ideas about parental choice with respect to childcare have attracted considerable support. But cash for care remains a controversial policy, and the choice rhetoric divides as much as it unites. Hagelund & Pedersen (this volume) illustrate another type of discursive dynamic, where antagonists manage to construct a basis for consensus through a coordinative discourse (Schmidt, 2002). A coordinative discourse provides policy actors with a shared language, where they can agree on crucial elements of a reality description in a manner that enables them to agree on future policy actions. The Scandinavian preference for broadly composed (often tripartite) public commissions which author public reports on the state of crucial policy areas represents one way of facilitating such a coordinative discourse.

Discursive effects are significant not only in political negotiation, but also at the micro level in organizations and public service units. The winds of New Public

Management have swept over Scandinavia as they have over the rest of the modern world, albeit in the form of semi-manufacture, allowing for local adaptations (Røvik, 2007). This creates special problems of layering, where ideological and organizational considerations compete. Both practical solutions and ideological discourses may be characterized by compromises that threaten to become excessively complex and thereby counter-productive (Vabø, this volume).

One important source of stability is the forms of flexibility which allow for the handling of crises with low transaction costs, while at the same time contributing to the reduction of unemployment. Danish “flexicurity” is one such system writ large. A relevant small-scale institution is that of temporary layoffs, where workers receive unemployment benefits during layoff periods even though the employment contract is sustained, allowing the worker to return to the same job when the economic situation of the firm has improved. This arrangement is an unusual compromise, again anchored in the tripartite system where the labour market organizations negotiate while the state bears the financial responsibility for the benefits (Olberg, this volume). If layoffs are unavoidable, they are handled quite differently in the Nordic countries. When crisis occurs, institutionalized rules of course matter, but at the same time they are interpreted and practiced with considerable discretion, based both on the distribution of resources between actors and the institutional context they operate within (Svalund, this volume).

1.4 Stability or Disintegration?

How stable is the neo-corporatist system, after all? A system that to a large extent is built on legitimate order, compromise and trust among the parties also has significant sources of disequilibrium. When dialogue and internal security routines are central parts of the game, as in Scandinavia, it obviously becomes vulnerable to moral hazard or even outright criminal deviation from the existing rules. Nicolaisen and Trygstad (this volume) make the case that the inflow of migrants into the low-skilled industries, such as construction and cleaning, create opportunities for hiring people exempted from existing rules and agreements. Putting pressure on “decent” operators in the market, the emergence of such actors leads to the formation of stricter external control, thereby potentially undermining the dialogical regime. A possible long-term consequence is growing contagion from some specific sectors to wider parts of the economy. However, it is not only employers who may see it in their short-term interest to evade existing institutional regulation; another conceivable source of disintegration is a revolt from the middle class against large-scale collective bargaining and the ensuing compression of the wage structure (Moene & Wallerstein, 2003).

In addition to the pressures from the labour markets, the viability of the Nordic/Norwegian model is also threatened by uneven reform capacities. The pension

reform is an example of successful social bargaining, whereas the stalemate in the conflicts over sickness payment may be taken as a sign that corporatism sets up its own barriers to efficient reform. Maybe such barriers will remain until a drastic crisis opens a window of opportunity for change.

Alternatively it may be that the institutional framework of the Nordic model is sufficiently robust to allow future adjustments without undermining its basic traits. With a view from outside, some perceptive observers point in this direction (Katzenstein, 2003; Thelen, 2014); others imagine a bleaker future (Crouch, 2004; Streeck, 2011). Making solid predictions hardly makes sense. However, the contributions to this book hopefully invite well informed reflection.

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