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**THE STATE AND CORPORATISM**  
**The role of the state in the development and reproduction of**  
**“the Danish model”**

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## ABSTRACT

### *THE STATE AND CORPORATISM - The role of the state in the development and reproduction of “the Danish model”*

In the literature on the establishment and development of the Danish variant of corporatism, emphasis has most often been on the role of the social partners. Scholars rarely stress the crucial role which the state has played in the development of the system. We argue that several actors contributed to the development of the ‘Danish model’, but that these actors were often orchestrated by the state. At crucial moments the direction of these different actors was even determined by the state. In the first part of the article, it is argued that the state has been under-theorized and to some extent neglected in corporatist theory. In particular, we draw upon a conceptualization of the state developed by Michael Mann and Eric Nordlinger’s different forms of state autonomy. We propose a state-centered theoretical focus enabling us to grasp the role of the state in the dynamics of the corporatist system. In the second part of the article, we present an analysis of the establishment and evolution of the Danish corporatist system seen from this distinctively state-centered perspective. In the third part we look into the current system during the last decade of the 20<sup>th</sup> century. By newly-conducted empirical research, we examine the role of the state in the corporatist system during the 1990s in the labour market and within immigration integration policy. We conclude that due to its autonomous power, the state is still a key player in the corporatist system.

Since the 1990s Denmark has often been described as a successful example of a welfare state with an ability to adapt to new conditions of existence brought about by the new global economy.<sup>i</sup> Key economic figures have proved that Denmark has performed well during the last decade. Often it has been asked how Denmark has managed to change a poor economy in the 1970s and 1980s into a successful enterprise in the last 10-15 years. When trying to explain the socio-economic success in Denmark, observers point to ‘the Danish model’, where the social partners – especially the labour market parties – have a profound say in policy-making. This has been described as cooperative adaptation (Jørgensen 2002), which “(...) implies an ability among actors and institutions to react in a stabilizing manner to ensure that important elements in the welfare system survive.”(Jørgensen 2002:240). This description follows the vast literature on Denmark and other corporatist countries, where corporatist relations are pointed to as the explanation for socio-economic success (see Katzenstein 1985; Lijphardt & Crepaz 1991; Visser & Hemerijck 1997; Due et.al. 1993).

The specific set of institutions and institutional practices which can be characterized as particularly ‘Danish’ and successful in handling socio-economic challenges have a long history, and they create a certain framework for coping with current challenges. We argue that the establishment and development of the Danish variant of effective corporatism has not primarily been driven by the social partners as a number of scholars on Danish corporatism seem to suggest (c.f. Due et. al 1993, Jørgensen 2002); neither has its development been entirely due to the smallness and openness of the economy as, for example, Katzenstein suggests (Katzenstein 1985). Instead we will bring to the fore the crucial role the Danish state has played in the development and reproduction of the corporative system. We shall argue that several actors contributed intentionally and unintentionally to the development of the ‘Danish model’, but that these actors were often orchestrated by the state, and at crucial moments even determined by the state.<sup>ii</sup> Such an argument requires a stronger conceptual understanding of the state. Thus, if we want to understand the

historical development and the dynamics of the Danish model we need to incorporate the state-as-an-actor and an active player as an important variable.

In the first part of the article we argue that the state has been under-theorized and to some extent neglected in corporatist theory. The society-centred focus originally suggested by scholars such as Schmitter (1974), Lembruch (1984) and Katzenstein (1985) has biased the analyses leading to an inadequate analytical treatment of the state as an autonomous actor. We shall draw upon various forms of state theories in particular from historical sociology. We propose a state-centered theoretical focus enabling us to grasp the role of the state in the dynamics of the corporatist system. In the second part we present a historical analysis of the complexities of the establishment and evolution of the Danish corporatist system seen from this distinctively state-centered perspective. In the third part we evaluate the development of the Danish model in the last part of the 20<sup>th</sup> century. We examine the role of the state in the corporatist system on the labour market as an example of an old policy area, and on immigration integration policy as an example of a relatively new policy area.

### **The theoretical framework**

While much theoretical and empirical effort has been put into discussing and evaluating the outcomes of corporatist policy making, less effort has been reserved for examining the complex processes of interaction that drive the dynamics. In particular, the role of the state in this process is somewhat undeveloped (Torfing 1995:9). It is not until the mid-1980s that serious attempts are made to develop a more state-centered perspective on corporatist policy-making (Hemerijck and Vail 2005:5). Colin Crouch's analysis of how historical contingencies of state traditions has had consequences for the organization and shaping of civil society and interest intermediation stands out as one of the clearest examples of this approach (Crouch 1993). He argues that the state plays

important roles not only in constructing the corporatist framework but also in the continuous political exchange within this framework, which the state facilitates by using either side payments or threats of bypassing corporatist institutions. This implies that the state is deeply and continuously involved in regulating corporatist policy-making. Crouch describes the dynamic between the corporatist state and societal partners as a “sharing of political space” (Crouch 1993:50ff), thereby pointing to a complex reciprocal relationship between the state and organized interests, leaving neither with complete power: the determinants of the dynamics of corporatist governance must therefore be found in the interplay between state and interest groups.

In this perspective the state is implicitly regarded as an actor which is capable of conducting relatively autonomous actions. However, the question of autonomy seems rather undeveloped. Is it fair to argue that the state acts autonomously? How and under what conditions does the state frame and facilitate corporatist exchange? When does it use side payments and when does it use threats of bypassing corporatist institutions? Answers to these questions remain unanswered by Crouch’s approach. Other scholars have followed in the footsteps of Crouch (notably Visser & Hemmerijck 1997; Hemerijck & Vail 2005). Following along the same lines as Crouch, Visser & Hemmerijck’s analysis of the Dutch miracle (Visser & Hemmerijck 1997) shows how the state in some cases can be a “shadow of hierarchy”, as was the case in Dutch labour market policy (Visser & Hemmerijck 1997:81ff). Hemmerijck & Vail argue that the capacity of the state is central when comparing the dynamics of German and Dutch corporatism (Hemerijck & Vail 2005:42-47). As was the case with Crouch’s contribution, one must appreciate the sensitivity to the role played by the state. However, questions surrounding the characteristics of state autonomy still remain unanswered.

Here we have to turn to other sources. The problem of autonomy and the state-society relation has been discussed within various traditions of state theory. A number of scholars have

argued that the state is not only relatively autonomous, but in certain situations entirely autonomous. This view is mainly advocated by historical sociologists such as Theda Skocpol, Charles Tilly, and Michael Mann. In this context we shall draw upon Mann's work. The state and the autonomy of the state are central in Mann's works (e.g Mann 1977; 1984; 1986; 1988; 1992). Mann's project attempts to break with the reductionism characterizing liberalistic, Marxist, and functionalist theories, in which the state is reduced to pre-existing structures in civil society. The state responds to two kinds of interests/pressures (both internal and external), generating a particular autonomous "space" where the state-elite may manoeuvre and play the classes off against each other. The dual conception of the state is conceived as a step away from reductionism. Mann, however, suggests a further radicalization in order to avoid reductionism. The state is only an arena - a space - and this is the source of the autonomy of the state. Broadly, Mann subscribes to a Weberian point of departure for an understanding of the state (Mann 1988:4). This includes four parts:

- A differentiated set of institutions and staff, forming
- centrality, defined as political relations, radiating outwards from a center to cover
- a territorially-demarcated area, over which is exercised
- a monopoly of authoritatively binding rule making, backed up by a monopoly of physical means of violence.

To Mann, an essential element is the centralized institutions of the state containing a high level of power possessed by the state elite. The power of the state elite and the centralized institutions has two dimensions. One is called despotic power, which is the direct potential and range of action of the state elite. Actions may be carried out without any kind of routine negotiations with groups in

civil society (Mann 1993:59). The other kind of power is infrastructural power, which is the capacity of the state to penetrate civil society and to implement political decisions within a given territory. Infrastructural power has made it increasingly possible for states to subordinate the everyday life of the population with extended levels of control and surveillance. It is this form of power that dominates modern capitalist democracies (Mann 1993:59).

The possession of despotic and infrastructural power lends autonomy to the state. This power and autonomy have their origins in three conditions: 1) the necessity of the state, 2) the multiplicity of the functions of the state, and 3) the territorial centralization of the state. Concerning the necessity of the state, Mann takes his point of departure from a Hobbesian conception of society. The existence of a society is conditioned by the presence of rules that are capable of protecting life and property. These rules originate from a monopoly. Moreover, it is said that states always exist in a system of states, which also imposes certain rules of behaviour onto each state. The autonomous power of the state proceeds from this necessity - “necessity is the mother of state power” (Mann 1984: 196).

Mann claims that the state has several functions. The state as a “binding rule-making authority” covers several areas, each of which are functional with respect to different areas within society. These are divided into four main categories:

- The maintenance of internal order.
- Military attack/aggression. The external functions of the state.
- The maintenance of infrastructure (of communication). For example roads, rivers, coinage, weights and measures, and messaging systems.
- Economic redistribution. An authoritative distribution of scarce material resources between various age groups, sexes, regions, classes, etc. Moreover, there is also an international

element, since it is the state that regulates the relations of trade and currency exchange along the borders.

These four kinds of tasks are undertaken by the state. Thus the state has several functional relations with various groups. The state's room for manoeuvre exists between all these different groups, and this space can be used to play off the various groups against each other. Mann's conclusion is that this room for manoeuvre is the birthplace of state power. But this insight does not capture the distinctiveness of the state as a social organization. As can be seen in the definition of the state given above, the state's institutional centralized and territorial nature is included as an element. This particular element is the precondition of the unique autonomous power of the state. Only the state has a particular inherent centralized authoritative power over a specific territory. In contrast to economic, ideological and military groups in civil society, the resources of the state elite radiate authoritatively outwards from a centre, only coming to a halt at a territorially defined border. "The state is, indeed, a place - both a central place and a unified territorial reach" (ibid:198). More precisely, this property distinguishes the state from other powerful societal groups such as businesses, capital owners, interest organizations, the Church or the nobility. The autonomous power of the state proceeds precisely from the difference in the organizational structure and socio-spatial conditions. "Territorial centralization provides the state with a potentially independent basis of power mobilization being necessary to social development and uniquely in the possession of the state itself" (ibid.:201). The autonomy of the state therefore consists of its necessity, the plurality of functions and territorial centralization. The power of the state elite cannot be reduced to the power of any group and it is therefore autonomous in relation to civil society. Thus, by bringing Mann's work into our framework we have established the autonomous character of the state.

Moving further towards a more differentiated concept of autonomy, Eric A.

Nordlinger presents a rather different analytical perspective to the state compared to Mann.

Nordlinger stresses that the state must be conceived not only as an organizational apparatus but also – and maybe more importantly – as a collective of persons with special authority.<sup>iii</sup> These persons have the right to make decisions that are binding for all of society (Nordlinger 1981:11). Nordlinger constructs state autonomy as a variable by introducing three types of stately autonomy which can be exercised by the state under different kinds of conditions of state-society relations<sup>iv</sup>. The first type of autonomy describes a situation where the state deliberately disregards the interests of other groups – e.g. the labour unions, employer federations etc. (Nordlinger 1981:118ff). Here the state will only succeed if it possesses what Mann characterized as despotic power. The second type describes a situation where the state tries to sway the preferences of, for example, interest organizations, using political leadership and manipulation in order to arrive at a compromise which will serve the interests of the state. (Nordlinger 1981:99ff). Finally, the third type describes a situation where the state invites interest groups into the decision-making process in return for a commitment to supporting the implementation of the final decisions (Nordlinger 1981:74ff). We might describe the last strategy as a kind of give and take system where interest groups forego some of their political freedom and in return receive a privileged position in the political process.

Nordlinger's last strategy does in many ways resemble descriptions of corporatist relations between state and organized interests. We could argue that by approaching a corporatist decision-making system from the perspectives provided by Mann and Nordlinger, we are able to capture the complex reciprocal relationship between the state and interest organizations without losing sight of the autonomous powers of the state as represented by the first two strategies provided by Nordlinger. Thus, by introducing Mann and Nordlinger, we are able partly to establish the argument for the

autonomy of the state in state-centered corporatist theory, and partly to provide a specification of various forms of autonomy.

### **The development of the Danish corporatist state and the effective corporatist system**

It is beyond the scope of this article to give a more comprehensive exposition of the Danish variant of effective corporatism. Several other scholars have contributed to the overview and explanation of Danish development (see Jørgensen 2002; Due & Madsen 1993, Campbell, Hall, & Pedersen 2006). Instead, we will concentrate on the role of the state in the Danish corporatist system. This perspective requires a historical sociological analysis of the Danish state formation process. We cannot provide such an analysis here, but some important aspects of the Danish state formation process will be our point of departure.<sup>v</sup>

The Danish state evolved through a particular combination of despotic and infrastructural power, which facilitated a specific variant of corporatism. The Danish state formation process was long, but in 1660 fundamental changes occurred when a stände staat was replaced by a more demarcated, territorial and centralized absolutist state. The 1660 regime change was a crucial 'critical juncture' which transformed the Danish state and facilitated the development of a modern society. This society (market and civil) may be described as being 'fully fledged' with the advent of the liberal-democratic Constitution (June 1849) and the Freedom of Trade Act (1857).

1864 is another critical juncture in the Danish state formation process and arguably more important to the development of corporatism. In 1864 Denmark suffered a defeat to Prussia and this led to a set of changes which included a revision of the constitution, political changes with a strengthening of the conservative forces, and also a loss of fertile land and one third of the population. Moreover, it paved the way for a strong popular nationalism. A huge part of nationalist emotions was distributed among popular social movements - in the beginning primarily in the

farmers' associations, but later also in the small holders and the labour movement. Associationalism was reinforced by popular nationalism partly as popular opposition to the conservative ruling class, and partly as a national response to the new conditions of existence after the defeat.

The strong wave of associationalism had already started in the 1850s and 1860s. These decades are called the 'age of associationalism' in Denmark (Hvidt 1990:95). The many associations founded in the 1850s and in the following decades were very much in opposition to the ruling elite and class – the landowners and the urban elite. In particular, the farmers formed a large number of associations aimed at improving their economic situation by creating small local saving banks and insurance companies, for example (Hvidt 1990:94-96). The state approved because it could see the benefits when the population organized and educated themselves in these associations. The Danish state supported many initiatives financially, and the principle of 'help-to-self-help'. It was a sophisticated way of governing and it is an extension of the infrastructural power capacity of the state. By indirect control of the development of important activities the state could strengthen its own resource base, while the local actors were responsible for the organization and the daily business of the activities, whether local saving banks, a sick-club or adult education.

### **Further corporatism**

Some other developments facilitated the emergence of the 'organizational society' and the effective democratic corporatist system. The political processes after the defeat to Prussia brought about a peculiar situation in which the state and the political elite – Prime Minister J.B.S. Estrup, the Right and civil servants in particular – appeared to be strong and weak at the same time. The Conservative government outplayed the opposition. In 1875-94. Prime Minister Estrup managed to keep the opposition - despite its majority in the Folketing (the House of Commons) - out of influence by governing through provisional finance acts. Through Estrup's use of provisional acts, the state

appeared as a strong entity wielding much despotic power. It follows from Nordlinger's differentiation of autonomy that the state during the Estrup-years deliberately disregarded the interests of other groups.

Daily politics was characterized by a policy of obstruction from the Left which was, however, too weak to effect a change in the system. Therefore, daily politics became a matter for interest groups and voluntary associations. The farmers' movement played an important role, as did the associations in towns and cities related to the new labour market emerging as a consequence of industrialization and urbanization. A strong political force from below contributed to shaping Danish society during the second half of the 19<sup>th</sup> century when the parliamentary system was at a stalemate. The apparently strong but passive state facilitated the growth of voluntary associations, both by providing the legal framework and by acting so passively that a space was left open for other actors. The voluntary association was used in this space as a means of organizing class interest into class conflict. The character of class conflict changed during this period. In the 1860s and 70s the main dispute was between farmers and the landowners, but during the 1880s and 1890s capital-labour emerged as a new conflict dimension.

Several interrelated social and political processes merged in Denmark during the 1860s, 70s, 80s and 90s. The development of voluntary associations and their relationship with the state have already been mentioned. The liberal-democratic constitution gave an impetus to the development of voluntary associations because their formation was stated as a right in the constitution. Moreover, the 1849 Constitution and The Freedom of Trade Act (1857) destroyed the last remnants of the medieval guild structure. The guilds were, however, of major importance for a number of people living in towns and cities. For centuries masters, craftsmen, journeymen, and apprentices were organized in guilds: as well as the knowledge transfer and the learning processes which this involved, the guilds also functioned as a social welfare provider by giving some security

in terms of sick pay, poverty aid and pensions. The relationship between master and journeymen and between journeyman and apprentice was also regulated by the guilds. These forms of security disappeared with the formal abolition of the guilds. Some guilds continued to function in a reconstructed form as new voluntary associations. In Copenhagen, in particular, these associations developed and at times took on the role as functioning as an employer association. Some guilds dominated by journeymen evolved into sick- and funeral clubs. Some also functioned as an emergent form of a trade union, organizing strikes and forcefully compelling the employers to accept the need for increases in wages (Rerup 1989:48). In other words, the combination of the right to form voluntary associations and the need to replace the guilds with new organizations influenced the development of a corporatist structure.

So far we have explained the reasons for voluntary associations assuming importance; but why did they become influential in the official political system? With the new liberal constitution in 1849, the old estate (st nde) system broke down and interests were now thought to be represented by individuals in the parliament. This did not work. Although party formations took place, they were not sufficiently able to represent the interests of the market. Consequently, while political parties were in the process of developing, it did not take long for the organized interests in market and civil society to become visible. As time went by, a closer connection evolved between, on the one hand, the associational structure and the organized interests in the market and, on the other, the political parties in the parliament. ‘Venstre’ represented the farmers in the parliament and the labour movement was represented by the Social Democrats and so on. Moreover, since the Left (Venstre) – the farmers in particular – did not trust the Right and the conservative bureaucracy, they were already trying to include the voluntary associations in influencing public policy development before the turn of the century (Christiansen & N rsgaard 2003:40). Another dimension is related to a specific state tradition in which various interest groups were included in some of the public

administration agencies during the absolutist regime. Some commissions at the municipal level were also established in the years after the introduction of the liberal constitution of 1849 (Christiansen & Nørgaard 2003:41). From the 1890s onwards, organized interest groups were gradually included in the political and administrative decision-making process (Christiansen & Nørgaard 2003:42; Nørgaard 2000:193-206). In other words, the development of the infrastructural power dimension of the Danish state has long historical roots.

Finally, an answer can be provided by pointing to the state-society relationship that developed during the post-1864 years, in which the state supported initiatives taken by actors in society as part of a help-to-self-help strategy. It was a form of compromise between a strategy of state intervention or non-intervention. It can be seen as an outcome of the compromise first between the Conservative and the Left (farmers) and later between the Centre-Right and the Social Democrats. By recognizing the voluntary associations and in particular the prominent associations representing major interest groups in the market, the state reinforced the level and intensity of the organization of the interest groups. As an example we can point to the support given by the state to the unemployment system. The system was based upon a principle of voluntary participation. The unemployment system operated separately from the trade unions, but was administered by them; thus there was strong encouragement for workers to organize and become members of a union (Knudsen 1999:112-113).

The third critical juncture affecting the development of a corporatist structure of Danish society was World War One. Despite the fact that the country remained neutral during this war, it became clear that Denmark was constrained by it as much as any other country. Exports were threatened due to problems of blockades and mines in the seas. Therefore, the importing of raw materials was also disrupted. The outcome was a shortage of supplies and price increases in goods. The low-income social groups, in particular, suffered. This could have led to more inequality

and social tensions. Consequently, the state adopted a new strategy to solve the problems. Massive state intervention and regulation proved to be the answer. This strategy was, however, based upon a corporative structure in which the key societal organizations representing the major social groups and economic interests participated (Vigen 1950: 440-469). Immediately after the war broke out, the Danish government with full support from the Parliament established on August 7 1914 a Commission with the Minister of Interior Affairs, Ove Rode, in charge. The strong support of the Commission indicated a truce between the otherwise conflicting parties in the Parliament. The Minister appointed representatives from all major organizations, interest groups and social classes in Denmark. The farmers, the small-holders, industry, the trade unions, the ship owners, consumers, the social democrats, the liberals, and science were all represented (Vigen 1950:444; Rasmussen 1965:72). The Commission constructed an elaborate system of regulations which affected every economic and social area, including price policy, supply policy and rationing, and to a certain extent also income distribution policy. The Commission did this with considerable success. Denmark succeeded in coming through the war without major troubles, tensions or social conflicts.

The First World War is crucial to understanding corporatism in Denmark.

Redistribution of income and welfare took place for the first time on a massive scale. Critical to this development is the means by which the state succeeded partly in getting support for these policies and partly in implementing them. The state increased its governing capacity, but so did all the major organizations representing the economic interest in the country. In 1899 the state had already recognized and accepted that the labour market was run by the employers and employees. The state also had some years before acknowledged the presence and importance of the other organizations, not least the farmers and industry. It was not until the First World War, however, that all these organizations were invited to take part in all sorts of commissions and committees set up by the government or a governmental institution. This gave them considerable influence and this process

transformed these organizations into more stable and strongly institutionalized entities. They became indispensable organizations and co-responsible for the societal development in Denmark. It is hardly wrong to say that the First World War was a point of crystallization of the Danish model of 'effective corporatism'.

We will now move from a general discussion of the role of the state in the emergence of corporatism to focus on its role in labour market corporatism. By the end of the 19<sup>th</sup> century, the main organizations of the labour market had been established. Employers united into the Employers' Confederation of 1896, subsequently the Danish Employers' Confederation (Dansk Arbejdsgiverforening, DA). The trade union movement responded a little later by forming in 1898 the Co-operating National Trade Unions in Denmark (De samvirkende Fagforbund i Danmark, DsF) - known today as the National Organization in Denmark, LO (Landsorganisationen i Danmark), i.e. a confederation of trade unions (Due et al. 1994:76-78).

#### *Developing the Danish way of labour market corporatism*

The development of the two main organizations, Dsf (LO) and DA, indicates a distinctive trait of the Danish labour market structure. Through the conflicts of 1880s and 1890s, a tradition of negotiation emerged that was relatively free from state intervention. The state intervened only when the labour market parties were unable to resolve their disputes by themselves and when this resulted in comprehensive strikes or lockouts followed by a decrease in production (Mikkelsen 1992: 34; Due et al.1994: 70). Following Nordlinger's differentiation between various forms of autonomy, the governance of the labour market and industrial relations in Denmark is very much a 'give and take system' in which the state facilitates a specific architecture, but much of the content is developed by actual negotiations between the social partners. The organizations were allowed relative autonomy in setting the conditions of the labour market, with minimal interference from the state. The role of

the state was to function as guarantor of the formal rights necessary for these institutional practices of the labour market to develop. The legal preconditions defining the institutional development of the labour market were the 1849 Constitution, the Act on Freedom of Trade (*Næringsloven*) in 1857 and – as we shall now discuss – the September Compromise of 1899 (Skovgaard-Petersen 1985; Rerup 1989). The events that led to the signing of the September Compromise began in the spring of 1899. Starting out as a minor strike, the conflict escalated between the two labour market parties, DsF and DA, causing DA to initiate a nationwide lockout of certain trades. Following months of opposing demands and refusals to settle the dispute, an agreement was reached in September that year which granted extensive rights to both parties concerned. Most importantly, the September Compromise constituted recognition of the management prerogative, which was the main goal of the employers. Furthermore, the Compromise promoted the centralization of the labour market, especially the structure of negotiation, thus leaving the employers' confederation victorious (Mikkelsen 1991: 8). Nonetheless, the Compromise was also a victory for the trade union movement because it firmly established the workers' right to organize (Due et al. 1994: 83; Rerup 1989: 51-54).

From the turn of the century, the centralized bodies, DA and DsF, conducted most labour market negotiations. This meant a strengthening of these central organizations at the expense of branch organizations, i.e. the separate trade unions and their complementary employer associations (Mikkelsen 1992: 55). By accepting this arrangement, the state allowed the associations themselves to come to an agreement that secured a stable and well-functioning labour market, as the activities of strike and lockout activities were considerably limited or at least circumscribed by rules that prevented the development of more serious conflicts. In principle the 1899 Compromise and the following ten years bear witness to recognition of the two organizations by the state. The state recognizes the presence of a conflict between capital and labour. The state

officially recognizes the right and legitimacy of the two organizations to negotiate and to control industrial relations.

Thus on one level the labour market corporatism in Denmark presents itself as a decision-making system requiring little state regulation. It appears self-regulating with the organized interests playing the dominant roles. The government, however, only respects the autonomy of the parties as long as the parties are able to find a compromise. Given the centrality of the negotiations a major breakdown will affect almost the entire labour market. In the case of a general strike the state, of course, has to react. Thus Danish labour market corporatism has been conditioned by active and continuous state regulation and intervention. In the following paragraphs we will discuss some aspects of Danish labour market corporatism which place the state firmly at the centre of the corporatist decision-making process.

At the heart of labour market corporatism is the collective agreement system, a system mainly controlled by the labour market parties. The most distinctive characteristic of the Danish model of labour relations is regulation by collective agreements rather than legislation. As our account has shown, the relationship to the authorities is nonetheless strong. Hence, throughout the 20<sup>th</sup> century, the state has played a decisive role in the shaping of the legal framework and conditions of opportunities which, again, is an example of exercising infrastructural power. In the aftermath of the September agreement, the procedures surrounding collective bargaining were unclear and needed legal specification. Only a little more than 10 years after the September Compromise – in 1910 - the state created the Conciliation Board as a third agent in order to facilitate the negotiation process between the parties. The Board was formed so that it could intervene in the case of a bargaining deadlock. In addition, the labour market parties were mutually obliged to maintain industrial peace between collective agreements. During the 1930s the Conciliation Board became a tangible and legally enshrined nucleus of the collective bargaining

system. The chairman of the Conciliation Board is appointed by the government and via the “right of concatenation”<sup>vi</sup>, established by the Conciliation Board Act of 1934, this state body played a major role in solving conflicts in the labour market in the 20<sup>th</sup> century in Denmark. Emphasizing the role of the Conciliation Board as a government controlled conflict solver must, however, not cloud the fact that the resolution of conflicts in the labour market in Denmark is still primarily the business of the labour market parties. The Conciliation Board has mainly operated on the premises of the collective bargaining system and thus, indirectly, of the two parties. It has been firmly aimed at reaching a compromise based on the balance of power between the parties. Finally, an Industrial Court was set up to deal with breaches in the collective agreements (Due et al. 1994: 85-89; Christiansen et al. 2000: 10).

In other words, even though the emerging Danish model denoted a considerable degree of self-governance for labour and management, the state and the changing governments were highly influential in setting the legal framework and possibilities for their actions. In addition to this institutionalized intervention, a practice was established of direct state intervention in cases where inability to reach collective agreements caused a major industrial dispute. Quite a large number of conflicts in the labour market have been solved with the help of the Conciliation Board or with direct state intervention. In order to uphold the system the state intervened 10 times between 1934 and 1991 and the Conciliation Board no less than 11 times (Due et al 1993:251).

So far we have shown how the state has been an active and crucial player in the development of a corporatist system, which on the surface is characterized by little state involvement. The special ‘model’ encompassing an influential state with social partners with a large degree of autonomy has led to a strong integration of these partners into the political system when it comes to consultation, law preparatory work and implementation policies. Thus the corporative system reinforced itself during the 20<sup>th</sup> century. In general it is fair to conclude that the state has

upheld its autonomy but has also strategically exploited this autonomy to facilitate a system in which the state ‘invites interest groups into the decision-making process in return for a commitment to support the implementation of the final decisions‘ (Nordlinger 1981:74ff). We shall now examine whether the state has continued to play a crucial role in regulating Danish corporatism in recent years.

### **Recent developments – employment and integration policy**

In this part we examine how the Danish corporatist system has coped with socio-economic challenges in the last decades of the 20th century, and the role the state has played in the process. Our conclusions are based upon an analysis of two policy areas: employment policy and immigration integration policy.<sup>vii</sup> These areas have been chosen because they are rooted in different historical and institutional settings and present different challenges to Danish politics. By employment policy we mean the efforts by government and the social partners to reduce unemployment. Employment policy is usually regarded as a policy area where corporatist ties have been strong and dominating. During the 1970s and 1980s Denmark experienced growing unemployment<sup>viii</sup>, which became the dominant political problem in the early 1990s. Integration policy covers questions of how to integrate immigrants in society. The number of immigrants has increased in Denmark since the 1970s and this policy area has moved considerably closer to the top of the political agenda.

#### *Employment policy*

On the surface, employment policy in Denmark manifests all the characteristics of a genuinely corporatist system. We have already discussed how the recurrent rounds of wage negotiations are handled by the social partners. If no solution can be reached the state intervenes – a situation that

has been far from rare in Denmark. The state, however, also holds important informal capacities through the civil servants' close relationships to the labour market parties. The informal contacts between the National Labour Market Authority (AMS), LO and DA are extensive, and prior to every meeting in the National Employment Council<sup>ix</sup> the Secretary of the Council (a civil servant) contacts representatives of LO and DA to discuss any controversial subjects on the agenda. Helle Svendsen, Secretary of the Employment Council, says: "It is my job to ensure that the level of conflict in the Council does not become too high" One of her greatest assets in this process is her exhaustive knowledge of subjects and policy changes which may prove to be controversial for the social partners. In cases where either LO's or DA's interests are compromised, the civil servants will always afterwards try to repair the relationship with possible side payments. Helle Svendsen continues: "It is very much a system of give and take. It is very often the case that they (the interest organizations) say: 'All right, you (the Ministry) get this but then we want something in return'. You cannot use them to achieve political legitimacy without giving them something in return". Also, LO and DA are well aware that taking part in the corporatist game sometimes means accepting suffering losses. Ole Krog, director in Danish Industry says: "In some cases the Government can choose to run right over the interest organizations and pursue its own specific policy goals". But both civil servants and representatives of the organized interests also know that the corporatist game of give and take only functions if all parties are able to accept defeats without jeopardizing the system.

A labour market reform initiated in 1993 is often singled out as the most important implemented policy resulting in the quite impressive drop in unemployment that Denmark has experienced since the early 1990s. The reform is also presented as a strong example of how the social partners were able to handle the socio-economic challenges posed by unemployment (Jørgensen, 2002). However, here we argue that the process leading up to the implementation of the

reform and later moderations of it cannot be fully understood without taking into account the active role played by the state. The reform was based on extensive research work undertaken by the Zeuthen Committee, which included all relevant labour market parties. However, if we dig deeper and analyze how the actual work within the Committee was carried out, we find the influence of the Government and the central administration in the Committee to be quite striking<sup>x</sup>. Formally, the Government was not part of the Committee and participated only as Secretariat. However, it exerted strong influence on the work of the Committee because it prepared the major part of the technical analyses. The government's main reason for establishing the Committee was to find a way to control the growing expense of employment benefits<sup>xi</sup>. The Government knew it would have a hard time convincing LO of the need for this kind of reform, but without it the Government's power base in Parliament, which depended on the support of the small social liberal party – de Radikale – would be in jeopardy. The strategy of the leader of the Secretariat, Jørgen Rosted, was to convince LO of the need to restrict expenditure on employment benefits and in return establish generous activation schemes as compensation or side payments to LO, thereby securing their support for the reform even though it worsened the conditions for LO's own members<sup>xii</sup>.

We argue that the case of the Zeuthen Committee is an example of how the state exercised its autonomy in the corporatist policy-making system and exerted considerable influence on the conclusions of the work of the Committee. The state was instrumental in producing and facilitating the compromises that needed to be found and it was able to sway LO, in particular, towards the outcome it preferred by using side payments in the form of the establishment of new activation schemes which benefited LO's members. Thus we argue that Nordlinger's second and third type of autonomy was used in the process leading up to the labour market reform. Since around 1995 the state has been more reluctant to include the parties in modifications of the labour market reform. These modifications have to a large extent been determined during the yearly budget

negotiations. Civil servant boards were assigned to design the policy proposals (Winther, 2003:298f). One could argue that the state's policy of autonomy has changed during the 1990s towards the first of Nordlinger's strategies.

### *Integration policy*

Up until the late 1980s, integration policy was largely absent from the political agenda. During the 1990s, and as a consequence of a general change in the population's perception of immigrants towards a more critical stance, integration policy became "high politics" in Denmark. In early 1998 polls showed that 47 percent of the Danish population regarded immigration/integration policy as the biggest problem for the country. The political result was the presence in Parliament of the Danish People's Party (a protest party very critical towards immigration), who won 7.4 per cent of the votes in the 1998 election.

The role of the state also changed quite dramatically during the 1990s. Before the 1998 integration law came into force, integration schemes were carried out by a non-governmental organization, the Danish Refugee Council (DRC), and the relatively small scope of the task combined with little political interest provided for an arena with very little political conflict. However, when problems regarding integration started to appear in the mid-1990s, the social democratic Minister of Domestic Affairs, Birthe Weiss, decided to set up an "integration committee" with the task of analyzing existing rules and regulations and of proposing a tentative formulation for a new integration law (Indenrigsministeriet, 1997). The members of the Committee were representatives from a number of relevant ministries and organizations (including the labour market parties, DRC, Local Government Denmark (LG)<sup>xiii</sup> and a number of representatives from immigrant organizations). In that sense the formative period of policy-making in the area of

integration followed the traditions of Danish corporatism. The Committee published its conclusions and recommendations in May 1997. In 1998 the first integration law in Danish history was passed.

The contents of the law, however, looked very different from the recommendations given by the Committee. The Government had decided to ignore central parts of the Committee's recommendations. The Committee recommended that the final responsibility for integration and, more importantly, for the distribution of immigrants among municipalities should remain with DRC. However, the Government needed to divert final responsibility away from DRC in order to implement a new distribution of refugees among municipalities in Denmark<sup>xiv</sup> (Clausen & Hovmand, 2001:53). This amendment was necessary to silence the growing criticism of the Government's integration policy coming even from the Government parties' own rank-and-file – especially among social democrats. DRC was not an authority and DRC could not and would not force any municipality to receive a larger number of refugees.

Also, the feeling in DRC was that the growing integration task was becoming too large for them to handle without jeopardizing their self-perception as a non-governmental organization. DRC Secretary General Andreas Kamm says: “At that time it seemed relevant to ask whether a task of this magnitude should be handled by the state or an NGO. And there were a number of good reasons to answer that it should be handled by the state because ultimately the citizens are the responsibility of the state.”

Prime Minister Poul Nyrup Rasmussen's decision to appoint a new Minister of Domestic Affairs in 1997 - Thorkil Simonsen; a former mayor and former president of Local Government Denmark and regarded in the public as more of a hard-liner on integration issues than his predecessor – was the first part of the strategy. The second part, the decision to move final responsibility from DRC to the municipalities, resulted in a lot of criticism from immigrant organizations, who didn't want immigrants to be forced to move to new places around the country.

LG was also critical because they did not want to see any of their members being forced to accept a larger number of immigrants and refugees. In the negotiations leading up to the final passing of the new integration law, the feeling among representatives from LG was that they had been given little choice but to accept the Government's decision because it was supported by almost all political parties in Parliament. Birgit Hedegård, chief of section in LG, says: "We thought that if the social democrats, the liberals and the conservatives all have this position (that the municipalities should take over responsibility), it would probably be better to play along and influence the process instead of insisting on a voluntary solution."

Today decisions regarding integration policy are made through close cooperation between the state and LG. The municipalities are the sole responsible authority for implementing policies in the area and LG is therefore *the* central player.

This development has stripped the immigrant organizations<sup>xv</sup> of any influence they had earlier on. When we discussed this issue with civil servants in the Ministry for Refugees, Immigration and Integration Affairs, they all regretted that no central immigrant organization has developed that can carry the views of the immigrant groups forward. Permanent Undersecretary Martin Isenbech says: "We try to include them (immigrant organizations), but it is hard to find out who to talk with. Sometimes I find it hard to know who is actually representing whom". The problem is that no immigrant organization has developed that can deliver what the Ministry is demanding: legitimacy and help in implementing the Ministry's policies. In other words, the immigrant organizations are not able to "play the corporatist game". And when the Ministry finds that these organizations cannot ultimately deliver the expected support to a specific proposal, the corporatist "give and take" system breaks down. The (now former) Permanent Secretary, Niels Preisler, from the Ministry for Refugees, Immigration and Integration Affairs, says about the

immigrant organizations: “It seems like they feel it is their function to say no and always be discontented. It is, of course, their right, but it doesn’t get us anywhere”.

The case of the integration law and integration policy in general is illustrative in showing how the role of the state and the exercise of autonomous power of the state can change over time. From being almost absent in the arena until the early 1990s, the state has acted very autonomously from the mid-1990s onwards. Towards the immigrant organizations the state acted in a way consistent with Nordlinger’s first autonomy strategy. In the case of LG it was a mix of the second and third strategies. The state certainly tried to sway LG to accept the reform, but it also applied rather generous side payments to the municipalities in the form of new and large state subsidies.

## **Conclusion**

Traditional corporatist theory neglects the importance of the state in the establishment and development of effective corporatism. By analyzing the origin and development of the Danish effective corporatist system, we have demonstrated the crucial role the state is playing in the corporatist system – a role which goes beyond just being a shadow behind the scenes of the social partners.

In this article we have argued that several actors have been and still are active in the development of the ‘Danish model’, but that these actors are often orchestrated by the state; indeed, at key moments the direction of these different actors is even determined by the state. Thus, it is crucial to understand the role of the state-as-an-actor if we want to comprehend fully the historical development and the dynamics of the Danish model. Theoretically, our analysis is underpinned by the work by Michael Mann and his conceptualization of the state as an autonomous actor resulting from the necessity of the state, the multiplicity of the functions of the state, and the territorial

centralization of the state. These three properties are the defining dimension of the autonomous state and no other type of organization carries them. In order to specify the specific character of the autonomy of the state, we have been inspired by Nordlinger's work.

The historical analysis shows how the state has been an active player both in terms of providing a legal framework for corporate arrangements and by creating institutions like the Conciliation Board and the Industrial Court in the labour market. Moreover, we see that the state has not hesitated to intervene when agreements between the parties could not be reached. We see how the capacity of using infrastructural power is increasing over the years, but how elements of despotic power are still applied when need be, e.g. when major general strikes have been threatened. The two policy cases do to a large extent support the conclusions from the historical analysis. In the cases of employment and integration policy, the state has been very active in regulating the corporatist system. The evidence from integration policy even shows how the state's regulation efforts can result in a disintegration of corporatist relations. Whereas the integration policy area can mainly be seen as an example of Nordlinger's first type of autonomy (more despotic power), we see all three types of autonomy at play in the labour market arena. However, maybe slightly surprisingly, we see a tendency towards a shift from the second and the third type to the first type after the introduction of the reform. Although we have only studied two policy areas, both of them indicate a strengthening of the despotic power of the state.

One could argue that our state-centred approach has determined the way we have told the story of "the Danish model". As indicated in the introduction, other scholars have also related the tale without using the state as a crucial actor (Due et. al. 1993; Jørgensen, 2002). Each story emphasizes a different facet of the more comprehensive narrative. Our intention in this article has been to highlight an aspect which has been somewhat neglected in earlier research.

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**List of interviewees:**

Birgit Hedegaard, head of department, Local Government Denmark (integration policy)

Andreas Kamm, Secretary General, Danish Refugee Council (integration policy)

Kim Ulrik Kjær, Senior Research Fellow, The Danish Institute for Human Rights (integration policy) (interview conducted via e-mail).

Ole Krog, head of department, DA (The Danish Employers' Confederation) (employment policy)

Henrik Kyvsgaard, afdelingsleder (assistant secretary), The Ministry for Refugee, Immigration and Integration Affairs (integration policy)

Finn Larsen, Consultant in LO (The Danish Confederation of Trade Unions) (employment policy)

Morten Lassen, Associate Professor Ålborg University (employment policy)

Mikkel Mailand, Assistant Professor, FAOS, Department of Sociology, University of Copenhagen (employment policy)

Flemming Mikkelsen, Associate Professor, The Academy for Migration Studies in Denmark (integration policy)

Jens Mølbach, AC (The Danish Confederation of Professional Associations) (employment policy)

Ivan Olsen, President of Ledernes Hovedorganisation (The Danish Association of Managers and Executives) (employment policy)

Jørgen Rosted, leader of the secretariat of the Zeuthen committee, Financial director in the Ministry of Finance (employment policy)

Hans E. Zeuthen, professor Chairman Director of the Danish Statistical Agency and chairman of the Zeuthen Committee (employment policy)

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<sup>ii</sup> The term model implies that it can be imitated. Since each and every state structure and form of effective corporatism has developed along a unique different historical path and is based upon a specific composition of elements embedded in a specific historical context it is difficult to transfer institutional practices from one state and society to another. Consequently, we do not think this is the case with the so-called Danish Model.

<sup>iii</sup> So far Mann will agree with Nordlinger. Mann's conception of the state is a more encompassing one. Nordlinger has a more narrow focus.

<sup>iv</sup> We are not entirely convinced that Nordlinger escapes the problem of reductionism and therefore he might not be capable of operating with a concept of the state which actually allows the state to be autonomous – and not only 'relative autonomous'. However, the way he differentiates between various forms of autonomy is useful for our purpose and the Nordlinger conceptualization of autonomy is a part of our framework.

<sup>v</sup> Further reading on the Danish state formation process, see Kaspersen 2004; 2006; Kaspersen & Ottesen 2001.

<sup>vi</sup> The "right of concatenation" involves linking the labour market's many and different agreements together to form an aggregate conciliation proposal, so that in the first instance all trade unions and employer organizations had to vote in favour of the proposal, which otherwise lapsed. At the second stage joint voting was established for all areas covered by agreements, so that an aggregate majority in favour of the proposal meant adoption for all, even though some separate areas might have a majority against the proposal (Due et. al 1993: 498f).

<sup>vii</sup> Our analysis and conclusions are based upon interviews with key persons within the two areas in 2003 and 2004 (see attached list of interviewed persons).

<sup>viii</sup> The level of unemployment actually continued to rise up through the 1980's. In 1973 the level was app. 1 %, in 1975 app. 5 %, in 1983 app. 10,5 % and in 1993 app. 12 % (Rasmussen, 2000)

<sup>ix</sup> The National Employment Council is an advisory board to the Government.

<sup>x x</sup> We conducted interviews with the chairman of the committee, the representative from the Government (who was also leader of the secretariat of the committee), the representatives from the major employer and employee organizations (DA and LO), representatives from two smaller organizations on both sides (The Danish Confederation of

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Professional Associations and The Danish Association of Managers and Executives) and one of the independent experts.

<sup>xi</sup> Prior to the Labour Market Reform the unemployed had the right to re-qualify for entitlement to unemployment benefits by participation in an activation offer. After the reform this right was abolished.

<sup>xii</sup> This description of the purpose of the Zeuthen Committee was given in an interview with the leader of the secretariat Jørgen Rosted.

<sup>xiii</sup> Local Government Denmark is the association of municipalities in Denmark. The municipalities have relative independence from the central government with regards to taxation and service production. The central government does, however, set the boundaries within which the municipalities can act independently.

<sup>xiv</sup> Refugees and immigrants mainly live in the large cities and municipalities around Copenhagen. Especially among mayors of these municipalities the discontent with the distribution of immigrants and refugees was widespread. These mayors were mainly social democrats.

<sup>xv</sup> The immigrant organizations in Denmark are quite heterogeneous and the two attempts to make umbrella organizations have experienced a number of problems. The first organization IND-Sam was founded in 1981 but closed down in January 2003 because the organization's accounts were in a mess, which resulted in removal of all state subsidies. In 1993 POEM was founded after a number of immigrant organizations disagreed with the leadership of IND-Sam. POEM has also led a somewhat chaotic life, but it does, however, still exist after some turbulent years (Mikkelsen 2003:113f; Hammer & Bruun 2000:68ff)

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