

Business Interests and the Development of the Modern Welfare State

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12 Industrial coordination and vocational training in the post-industrial age

Cathie Jo Martin and Lukas Graf

12.1. Introduction

First world countries feel rather dystopian in the wake of the global financial crisis, what with the challenges of great waves of refugees, soaring rates of youth unemployment, and strongmen politicians who promise to restore us all to greatness with a platform of nationalist deregulation. In many cases, the economic recovery has left large groups of workers either jobless or marginally employed in bad jobs, and the grand institutions for economic and social coordination of the Golden Age seem more fragile than ever. In particular, vocational training systems – a pillar of post-war social investment in industrial skills – seem under siege, as young people move into general education systems.

Moreover, the strong industrial relations institutions associated with robust vocational training systems are themselves under pressure. Many believe that a revamping of vocational education for the post-industrial economy is necessary both to invest skills in services and to provide education for non-academic youth. Yet a vicious circle has crippled efforts in many countries: strong vocational training programs have been associated with strong employers' organizations, but there has been a hollowing out within employers' organizations as they lose functions, including their significant influence over Vocational Education and Training (VET).

Despite these many challenges, some countries and regions seem more capable than others at renewing vocational training institutions for post-industrial economies. Despite Denmark's traditional strength in vocational education, many young people inappropriately embraced the global trend of higher education expansion and entered gymnasium rather than vocational programs in the early 2000s. This contributed to a frightening increase of NEETs, or youths in neither employment nor education and training. A special commission was formed to investigate the crisis in vocational education and the resulting major 2014 reform promises to revitalize the training system. Switzerland endured a crisis of vocational training in the 1990s, but created new organizational forms, namely "occupational organizations of the working world" (*Organisationen der Arbeitswelt*, Oda). The organizations

helped to rejuvenate vocational education, particularly in the German-speaking region, and more than 60 percent of Swiss youth are in dual vocational programs today. In contrast, successive British prime ministers from both parties routinely avow commitment to vocational training with very little effect, although apprenticeship programs exist in some sectors.

Our puzzle is to understand the factors underlying national and regional episodes of success, and, in particular, to explore how social partners' organizational capacities contribute to vocational education. Because institutions for industrial coordination are themselves threatened by post-industrial change, we particularly wish to explore the processes by which the state and social partners are shoring up business and labor organizations, and how robust industrial coordination matters to revitalizing vocational training programs for the post-industrial economy.

We suggest that one needs to look beyond national-level structures of industrial coordination to grasp how political pacts for vocational education and institutions for business-labor cooperation are being reinvented. Processes and rules of engagement – identified in the negotiation literature as useful to micro-level negotiations – also further macro-level institutional restructuring and policy change. First, political pacts are aided when change agents create a formal role for *technical expertise*: this moves participants beyond political considerations and fosters a shared understanding of a problem and its solutions. Second, formal arrangements for *repeated interactions* among diverse interests build trust and/or remind participants that they will be punished for devious strategic behaviors. Third, in private negotiations, the inclusion of *penalty defaults* for inaction enhances the likelihood that a negotiated agreement will be reached (Martin 2015).

We offer case summaries of how adoption of these procedural rules furthered vocational training reforms in Denmark and the German-speaking region of Switzerland; Britain provides a negative counter-example to our story. A crisis of vocational training and growing ranks of NEETs signaled a *penalty default* to non-action in Denmark, and political leaders initiated corporatist negotiations – and processes of *repeated interaction* – to reform vocational training. Cooperation between the social partners in this and other key social policy areas has sustained the Danish model of coordination in the face of significant business restructuring. Although Switzerland as a mixed liberal-coordinated market economy lacks some of the classic corporatist labor market institutions, political leaders created new occupational intermediary organizations that enhanced employers' capacities to think collectively about their interests in conjunction with labor and other groups, within a strongly decentralized system. This created a mechanism for *repeated interactions* and for developing fundamental agreement on the continuing necessity and purposes of vocational education in the post-industrial society. Finally the British case illustrates the great difficulties of developing a national vocational education strategy in the absence of institutions and rules for collective political engagement. Although some British sectors have developed successful apprenticeship programs, secondary-level vocational

programs largely lack certified skills due to frequent changes in party control of government (in which new leadership immediately abandons their predecessors' programs) and contentious business-labor relations.

Thus, in our two positive cases, we find a mutually-reinforcing relationship between efforts to sustain coordination in the two spheres of employer organization and vocational training. In such cases, employers – often in conjunction with labor and state bureaucrats – are adapting their organizations to sustain vocational training against challenges of deindustrialization. Strong industrial relations systems help to bolster vocational training options and vocational training programs can give new purpose to employers' associations and unions that are losing ground in other areas of industrial relations.

The following section discusses the relationship between industrial relations and vocational training, as well as current challenges to the traditional governance mode in these policy spheres. Next, a theoretical framework for the analysis of collective political negotiation is presented. The subsequent section presents case studies of Denmark, Switzerland, and the UK, which are based on secondary literature, document analysis, and expert interviews. We conclude with a discussion of the main findings.

12.2. Industrial relations and vocational training under siege

Comparative political economists generally consider collectivist dual systems of vocational training to be superlative in developing workforce skills (Busemeyer and Trampusch 2012). Advanced, industrial economies may develop vocational skills through the collectivist dual system (Switzerland, Germany, Denmark, Austria), the collectivist technical school system (France and Sweden), or the segmentalist liberal system (Britain) (Greinert 2005). The dual system combines school-based courses with apprenticeships to provide strong vocational, specific skills that are nationally standardized; whereas, technical school systems are typically more state-dominated and liberal systems use general education programs (e.g., high schools) to provide general skills (Hall and Soskice 2001; Busemeyer and Trampusch 2012). Employers' associations and, with the partial exception of Switzerland, labor unions are deeply involved in the development of curricula and administration of training within collectivist systems, and this enables programs providing portable, certified occupational skills that closely match real job needs. Dual systems produce rapid school-to-work transitions and low rates of unemployment (Shavit and Müller 2000).

Despite their reputed advantages, collectivist systems of skills provision have been challenged in recent decades. Deindustrialization set limits on national capacities to pay for vocational training and other social protections, because productivity growth rates are lower in many service sectors than in manufacturing (Iversen and Wren 1998). The global financial crisis and subsequent Great Recession further eroded national social investments, and many countries accepted the economic agenda of debt reduction and

structural reforms to improve competitiveness (Lehndorff 2015: 13). Britain and Denmark were particularly hurt by the financial crisis, because both significantly deregulated financial mortgage markets and created huge real-estate bubbles before the crisis (Larsen and Andersen 2009).

Moreover, VET systems designed for training skilled, manufacturing workers may be less appropriate to educating low-skilled, service-sector workers (Busemeyer 2014; Iversen and Soskice 2006; Martin and Knudsen 2010). German vocational training programs are becoming more segmented: small firms not able to pay for expanded educational offerings have dropped out of VET arrangements; large firms seek greater differentiation and modularization. Active labor market policies offer state-run programs for marginal workers (Thelen and Busemeyer 2012). VET institutions are being asked to provide multiple, partly contradictory services, and this sends ambiguous messages to students (Ebner et al. 2013). Public coffers must fund both social benefits for unskilled workers and public services for the middle class, and the unskilled may well be pushed out of labor markets. Anemic job recovery after the financial crisis combined with eroding vocational training institutions may have contributed to the rising number of NEETs in advanced, industrial countries; and many countries have both too many college-educated youth and too many without any skills at all (ILO 2013: 31).

Strong industrial relations systems have historically been associated with the construction of strong vocational training institutions. Macrocorporatist employers' and labor organizations – with centralized, encompassing peak associations – are privileged to speak for broad class interests in policy-making and thereby reconcile the diverse interests of high and low-skilled workers. From an internal and process-oriented perspective, such associations can be assumed to follow competing logics of associative action (i.e., the logic of influence, related to characteristics of state agencies, and the logic of membership, related to characteristics of their members) and the related goods (selective goods, monopoly goods, collective goods, and solidaristic goods) (Schmitter and Streeck 1999). In countries with sectoral coordination, industry-level groups are more powerful than centralized, peak associations, and the latter play a less influential role in policy-making. In pluralist countries, diverse groups compete for political power (Martin and Swank 2012).

The nature of employer (and labour) representation has an impact on collective training institutions because the provision of skills through institutions outside of the firm requires greater collective effort, which is facilitated by strong associations (see Martin 2011 for many points in this paragraph; see also Trampusch 2010). The profiles of employers' associations have implications for the *venue* and *scope* of training, because countries with more encompassing employers' associations are more likely to produce more inclusive and encompassing skills systems that transcend sectoral and regional variation and provide skills training for a broader cross-section of workers. Thus, small state corporatism produced the Austrian vocational education system, as social partners and their encompassing associations mediated

the responses to socioeconomic changes (Graf et al. 2012). The profile of employers' associations matter to the *types and portability of assets*, as specific skills require greater programmatic oversight than general skills. Employers' capacities for associative action have implications for the *levels of training and public subsidies* in solving collective action problems and in exposing employers to positive information about human capital investment. Cross-class or bipartisan coalitions are more likely to produce negotiated deals (Swenson 2002); and compared to fragmented business groups, encompassing employers' associations provide greater support for welfare state spending and labour market initiatives. Finally, the profile of the employers' associations has an impact on training systems' *capacities for adjusting* skills production to economic transformations and diverse regional needs (Martin 2011). Encompassing unions and highly centralized coordinated bargaining also bring skilled workers to support vocational training for their less skilled colleagues (Oude Nijhuis 2013). Once coordinated labour relations are created, employers have reduced incentives to use their apprentices either as a source of low wage labour or as a reserve army of the semi-employed to break strikes.

Yet industrial relations systems are themselves under siege: even in Scandinavia, usually associated with stable industrial relations, corporatist employers' associations are challenged and evolving (Pontusson 2011; Ibsen and Navrbjerg 2018). Scholars debate whether national models of industrial coordination will persist (Hall and Soskice 2001; Martin and Swank 2012; Thelen 2014) or will converge in a neoliberal direction (Streeck 2009; Baccaro and Howell 2011). Moreover, national models are inadequate for explaining significant subnational variations. Thus, while Britain has a pluralist model of national employer organization and a liberal market economy (Hall and Soskice 2001), the country has significant subnational variation in the structure of employers' associations (Gooberman et al. 2017). Finally, national models of industrial relations do not neatly fit cases, such as Switzerland, where employers have been deeply involved with vocational training despite having "liberal" labour market institutions (Armingeon 2001).

We explore the struggles to upgrade vocational training to post-industrial challenges and the role of industrial partners in these efforts in three countries: Denmark, Switzerland and Britain. Denmark and Switzerland represent dual systems and Britain represents a liberal system that has made significant efforts to strengthen vocational training provision, albeit with limited success. The three cases illuminate some key conditions for achieving VET reform.

12.3. Employers, VET and rules of collective political engagement

To grasp fully employers' commitment to vocational training programs, we move beyond national models of industrial relations to explore rules of collective political engagement among business, labour and state actors. Our explanation, drawing from the private negotiation literature and its application to macro-level institutions, focuses on the processes rather than on the structures governing

political negotiations (Martin 2015). We believe that the mechanisms by which employers make commitments to social investments often utilize a common set of procedural rules. Structures for employers' representation (perhaps in conjunction with labour and/or the state) may take different forms; yet, these may share similarities in the rules by which they unite diverse actors to forge social investments.

The literature on negotiation among private actors recognizes that even when all sides desire a positive outcome, participants often fall short of achieving their shared objectives. Of course, failure may simply reflect an accurate appraisal that some negotiating partners are acting in an underhanded fashion or attempting to grab power and control. Yet even if all make a good faith effort, the human brain may fall prey to *negotiation myopia*, a constellation of cognitive, psychological and strategic impulses that prevent individuals from achieving collectively-beneficial agreements (These paragraphs draw from Martin 2015).

First, people experience myopia in their sense of *perspective*: one's self-regarding bias makes it difficult to grasp the perspective of others or to trust others' intentions. Information asymmetry means that individuals lack full knowledge of their partners' motives, assume an incompatibility of preferences and miss courses of action that better achieve collective benefits. Second, we experience myopia in the *scope of goals*; worries about the relative distribution of benefits make us miss how joint action may enlarge the pool of resources and create new value. In part due to loss aversion, we remain stuck in zero-sum distributive battles, which often result in a suboptimal provision of collective goods (Mnookin and Ross 1995: 17). Third, we may suffer from *time myopia* that diminish our capacities to grasp the long-term perspective and consider second and third-order effects. Our tendency to overvalue the present – due to uncertainty, cognitive perceptual limits and a fear of the unknown – makes it hard to achieve public provisions that require short-term investments for longer-term benefits (Jacobs and Matthews 2012).

The negotiation literature suggests various tactics for overcoming these negotiation myopias, and we suggest that the same rules of engagement that help individuals achieve negotiated settlements are also embedded in some institutional arrangements and policy processes for securing political pacts. The first rule of engagement is that there be a role for *neutral expertise* in adjudicating conflicts; in the case of policymaking, this entails sources of expertise and mechanisms for generating shared consensus on policy alternatives. Ideas are generally crucial to the formation of new policy trajectories, because strategic choices are influenced by cognitive paradigms and normative beliefs (Hall 1993; Blyth 2001; Campbell 2004). The mutual recognition of expert solutions to problems fosters a shared understanding of policy in more neutral terms, builds shared conceptions of justice, diminishes ideological left-right cleavages and enables creative cognitive leaps. Incorporating technical expertise as a source of information may also diminish the degree of politicization, and elevate new ideas that break log jams. Thus, macro-corporatist

industrial relations systems incorporate a role for recognizing technical expertise in the tripartite commissions that bring business, labor and the state together with outside experts to consider policy problems.

A second procedural rule for resolving individual-level conflicts entails a mechanism for *repeated interactions* by diverse interests, which helps participants to take a longer view and to grasp one another's perspectives. In the case of policy reform and implementation, creating a forum for participants from diverse classes and parties to meet repeatedly across time helps to build collective understandings, teach participants that they will be punished for dishonesty and generate sufficient trust to support risky but collectively beneficial endeavors. Repeated interactions are an important feature of both collective bargaining processes and participation on tripartite commissions found in macro-corporatist industrial relations systems (Rothstein 1996; Visser and Hemerijck 1997; Hicks and Kenworthy 1998; Swank and Martin 2001; Cullenpepper 2003; Trampusch 2010; Anthonsen and Lindvall 2009).

A third rule for engagement at both the micro-level of negotiation and the macro-level of policy-making is the incorporation of penalty defaults, or negative consequences, to prevent inaction or misconduct. In the case of Danish active labor market reforms, the social partners recognized that if they did not participate in the development and implementation of the programs, the state would take over. A representative from a peak employers' association remarked that business and labor were like "Siamese twins" in their interests to retain control; thus, the threat of the state represented a sort of penalty default (Martin 2004).

To summarize, significant challenges threaten both institutions for coordinated industrial relations and the robust vocational training models that benefit from close cooperation. Although the old structures are under pressure, distinctive processes of collective political engagement may help employers, labor, professional associations and the state to rework or even to forge new skills-building institutions. We now explore episodes of vocational training reform in Denmark, Switzerland and Britain.

12.4. Vocational training in Denmark, Switzerland and Britain

Danish, Swiss and British actors have been motivated to revive or sustain vocational training by similar challenges and concerns, associated with globalization, deindustrialization, growing youth unemployment and (with the exception of the Swiss case) financial instability. In all three countries, parties across the political spectrum support investments in skills to improve international competitiveness and shore up youth employment. Denmark and Switzerland have both had traditional strengths in vocational training, yet both have suffered setbacks. British vocational training has been historically limited, yet politicians have made expanding apprenticeships a major political goal. The following section explores how institutions for industrial coordination help or hinder efforts to renew vocational education for the post-industrial economy.

12.4.1. Denmark

Denmark historically has had a strong dual vocational training system, in which school-based learning is combined with firm-based apprenticeships. After Danish youth complete the first 9 (or 10) years of primary and lower secondary school, they may enter either an academic or vocational upper secondary education programs (IVET). Students in the IVET programs (lasting 3 to 3 1/2 years) take a foundational, basic course of study (lasting 20–25 weeks), which is followed by a main program comprised of agricultural, technical, social, commercial or health care courses, among others, in order to receive their vocational qualifications. There are currently 111 different programs in 12 concentrations. A Council for Vocational Training provides oversight of the system for the Minister of Education; and about 50 trade committees composed of business and labour representatives specify the content of the training programs in order to ensure that the curricula reflect current labour market demands. Adults wishing to return to school take continuing training courses designed for labor market skills (AMU), which deliver vocational qualifications or GVU (*Grunduddannelse for voksne*).¹

Denmark's strength in vocational training, however, has recently faded. Students and parents are convinced by the rhetoric of the "knowledge society" that an academic education in gymnasium is preferable to vocational training programs, and the latter have declined accordingly. Yet academic upper secondary programs are too difficult for many students, and NEETs (young people not in education, employment, or training) increased at an alarming rate in the 2000s (Egelund 2012). Denmark's disappointing Programme for International Student Assessment (PISA) scores in 2001 and 2004 ignited national panic about substandard education (Nielsen and Jørgensen 2013: 13). Reformers introduced more quality assessments within general education (although vested control with local governments), and many have sought similar controls for vocational education (Ministry of Education 2014; Hjort and Raae 2012: 186). The state wishes to impose binding obligations on training companies; however, state intervention threatens to weaken both the commitment by the social partners and the linkages to real work needs (Jørgensen 2014). Twenty-eight percent of students gave up on their vocational programs in 2012, according to the education ministry's Statistikdatabase UNI-C, and fewer students entering trades have pursued education beyond the lower-secondary years (Elmer 2014). Obtaining an appropriate apprenticeship slot has been particularly problematic for young males (Jørgensen 2015: 67–70).

This confluence of pressures motivated somewhat contradictory reforms that reflect the tensions inherent in providing vocational skills for young people with a range of competencies. Experts want more students to enter the vocational track; yet there are difficulties in providing both sufficiently-high skills for workers in sectors that are competitive internationally and programs appropriate for least capable students, who will work in low-skill service

sector jobs (Egelund 2012; Martin and Knudsen 2010; Sletting 2014). A 2000 Act created high standards and many individual programs; however, these highly-defined tracks seemed to drive low-skill workers out of school. Consequently, a 2007 reform made VET less individualized and reversed many of the efforts of the earlier reform (Jørgensen 2015: 68).

Recent reforms have made some progress towards improving the VET program, but more importantly these have reemphasized the role of the social partners in the development and oversight of skills qualifications. First, in 2010, a new Upper Secondary Qualification (EUX) program was created to address the need of higher-skill vocationally-trained youth. The EUX program is positioned between the gymnasium and vocational education. The program both allows vocational students to obtain very high qualifications and permits vocationally-trained youth to move back into the academic education track at the tertiary level (Jørgensen 2014).

Second, a 2014 reform again addressed the dual needs of both high and low-functioning students, by introducing greater flexibility and better basic skills for high-skilled workers and expanding shorter courses for the less-skilled workers (Mailand 2014). It sought to expand significantly the number of students entering VET programs, increase completion rates, consolidate the number of separate tracks, standardize the foundational education component (40 weeks for students without work experience), and implement higher qualifications to make vocational programs an attractive alternative to gymnasium. Special short-course programs were created to keep weaker students within education (Jørgensen 2015: 68; Sletting 2014). The reform would also ease the transition from vocational into tertiary programs, create a new track for adults over 25 with work experience, develop another program for those lacking the minimum qualifications, and allocate more funds for improving the skills of vocational training teachers (Danish Ministry of Education 2014: 7–17).

The 2014 reform has not solved the problems posed to vocational training, but the reform process offers hope for future initiatives, as the government sought to include the social partners in the reform effort. In the autumn of 2012, the government created a vocational education committee that included representatives from the Confederation of Danish Employers (DA), the Danish Confederation of Trade Unions (LO), Local Government Denmark (KL), the Danish Regions, the parties, the Ministry of Finance and the Ministry of Children and Education. The committee was to make recommendations in May 2013 to improve vocational education and training.

The committee incorporated the use of neutral expertise, repeated interactions and penalty defaults in its recommendations for an ambitious reform. First, the committee was charged with accumulating expert views on vocational training, which facilitated consensus about vocational training reform with commonly shared conceptions of the problem and solutions. All came quickly to agree on the goals of reform: to limit drop-outs, to interject quality and efficiency in the education system, and to meet Denmark's labor supply targets by 2020.

Second, the committee met repeatedly to deliberate, and the social partners used classic corporatist processes to arrive at their own vocational education priorities outside of the committee structure. Business and labor were able to appear as a united front within the context of the committee negotiations. Thus, unlike the very contentious school reform, in which the teachers' union negotiated with the local government union, the vocational training reform was a classic Danish labor market story (interviews, March 2015).

Finally, the threat that the government would make key decisions worked against non-action by the social partners, and acted as a penalty default driving social partners to use industrial relations channels to formulate a joint position on the reform. Between 40 and 50 percent of workers at DA firms receive vocational training; therefore, both business and labor were deeply committed to getting a system that works. DA and LO were very much on the same wavelength on the reform, and felt that politicians put too much emphasis on the initial schooling stage of vocational training and too little on subsequent tracks. The employers' organizations and unions wanted to ensure that graduates have requisite skills and that the VET programs would rise in public estimation. They felt that by raising the level of the programs and creating more relevant special tracks, parents and children would come to consider this training to be a more viable educational option. DA lobbied for a tenth optional year in the foundational schools, so that late bloomers could develop the requisite math and language skills for entering the VET programs (interview with Simon Neergaard Holm, DA June 14, 2015). DA sought apprenticeship centers, where students without apprentice placements within firms could develop hands-on skills. Social partners also requested that they be given a greater role in designing the practical courses provided by these centers (Mailand 2013).

Danish vocational training continues to have problems meeting the needs of both high and low-skilled workers; yet the efforts to work through issues within the context of industrial relations channels seemed promising. In contrast with the 2013 primary/lower secondary school reform, the VET reform process reinforced the historical influence of social partners, shored up the Danish model of industrial coordination and emphasized the tradition of consensual policy-making (Mailand 2014). Although the committee stopped short of making specific recommendations, their positions were incorporated into the Finance Act Agreement for 2013 and subsequently into the 2014 reform (Danish Government 2013: 20–22.)

12.4.2. Switzerland

Upper secondary education in Switzerland is divided into general academic education, preparing for direct university entry and VET predominantly in the form of apprenticeship training. Apprenticeship training is highly regarded in Swiss society; indeed, the participation rate in apprenticeship is above 60 percent (Federal Statistical Office 2014a, 2014b).

However, the Swiss VET system faced substantial challenges beginning in the 1990s, including a major crisis on the apprenticeship market, a shift from traditional industries to services, higher education expansion, neoliberal (non-corporatist) policy trends and the opening of the Swiss labour market to EU workers (Trampusch 2010; Gonon and Maurer 2012; Graf 2013, 2016; Eichenberger and Mach 2011; Oesch 2011). Of particular concern was the decline of apprenticeship places offered by firms (Strahm 2008). Motivated by these challenges, political actors began a comprehensive reform process in the late 1990s, which culminated in the Vocational Education and Training Act of 2004. The act revitalized collective skill formation and is fundamental to understanding how the employer-dominated Swiss VET system has adjusted to post-industrial change.

The VET reform was led by federal state actors in collaboration with private VET stakeholders (Gonon 2016). Small and medium enterprises, together with their Swiss Trade Association, have been particularly important to this process, reflecting their great demand for apprenticeships (Trampusch 2010; Rohrer and Trampusch 2011). Yet virtually all relevant actors – political parties, employers and unions – wished to revitalize apprenticeship training. Initially in 1999, a change to the federal constitution granted legislative responsibility for vocational training to the Swiss confederation (i.e., the Swiss federal state) (Barabasch et al. 2009). This change conferred on the confederation a new, central steering capacity in the governance of apprenticeship training, which was somewhat unusual for the fragmented, decentralized Swiss cantonal system (Bernier 2013). The subsequent VET Act of 2004 developed occupational organizations of the working world (*Organisationen der Arbeitswelt*, OdA), which provided a new framework for the cooperation of diverse private actors. Today, responsibility for VET is shared between the confederation (managing macro-level strategic development), the OdA (responsible for curricula development and provision of apprenticeship places) and the cantons (overseeing implementation and control) (SBFI 2014: 6–7).

Since the 2004 reform, the OdA have been the key governance institution in VET, and these reinforce a loosely-coupled, flexible institutional arrangement that grants employers significant influence in apprenticeship training. Each of the 240 initial VET occupations in Switzerland requires an OdA in charge of developing curricula and organizing the firms involved in training. There exist around 160 OdA, as an OdA can cover more than one occupation. In some cases, OdA were constructed from scratch; others evolved from extant organizations. Crucially, the OdA represent quite different organizational types, including employer, trade, professional and craft associations, or a mix of these types (Emmenegger et al. 2017).

The OdA function as flexible intermediary organizations that operate within clearly set national standards of VET governance (see Zehnder 2011) but that enable actors from both business and (historically weaker) labour to build and reinforce cross-class coalitions and revamp apprenticeship training. The OdA's decentralized governance structure reflects the diversity of private

interest organizations, which may vary by sector, occupation or region, and fits with the Swiss tradition of flexible legislation (Emmenegger et al. 2017). Thus, the OdA landscape was populated by boundary-spanning organizations that bring together actors following different institutional logics (e.g., labor market, product market or occupational logics).

The OdA use rules of collective engagement that encourage the articulation of broadly-supported policy solutions. First, the OdA play a major role in developing neutral expertise and shared consensus around views of skills requirements and appropriate vocational training responses in each sector. The OdA spearhead the development of curricula and are responsible for constructing multi-actor commissions that regularly update vocational curricula (Bernier 2013). The commissions include relevant employer and professional associations as well as representatives from the cantons and the confederation. This set-up also allows for the systematic integration of neutral expertise; for example, the OdA can request support from the Swiss Federal Institute for Vocational Education and Training, a state-funded expert organization that assists OdA in the development and implementation of VET programs.

Second, the OdA structure has a built-in mechanism for repeated interactions. Relevant employer, employee and professional associations are routinely brought together and have incentives to cooperate. By building a forum for repeated interactions, the OdA partly bridge cleavages among liberal and coordinated market elements, employers and employees, sectors and occupations and the German-, French-, Italian-, and Rhaeto-Romanic language regions of Switzerland, which have distinctive socio-economic and cultural conditions.

The use of the OdA to revitalize collective political engagement resonates with certain macro-features of the Swiss socio-economic system that incorporate repeated interactions. Although Switzerland is often considered a mix of a coordinated and liberal market economy, it has a long tradition of consensual decision making across class divides (Eichenberger and Mach 2011; Oesch 2011) and the delegation of governance task to private actors (Linder 2010) – of which VET is a prime example. The Swiss state works on a rather low-key bureaucratic level to provide room for the creative interpretation of federal rules by private and public actors on the ground. Furthermore, repeated interactions among private actors, as promoted by the OdA, have a tradition in private actors' trust in the stability of the government, due to Swiss consociational democracy. Employers are willing to invest in the collective organization of VET, in part, because there is little risk of a sudden change in government and related education and training policies. Furthermore, repeated interactions through OdA are strengthened by the decentralized, local government tradition in a relatively small state (Katzenstein 1984), as most key actors know each other and meet on a regular basis. In sum, these macro-conditions support collective political negotiations around VET reform in different occupations, regions and sectors.

Third, the OdA structure incorporates penalty defaults against inaction, as the delegation of authority to the OdA is conditional on the OdA's willingness to react to changing skill requirements. The VET Act of 2004 required all OdA to do a complete revision of the training content and to fully review the occupation every 5 years. The OdA and their partners are also granted the power to alter the structure of the training programs, e.g., to integrate better school-based and work-based learning, without enduring a complex and lengthy legislative process (Barabasch et al. 2009). Yet the state's delegation of this authority and related subsidies are conditional on the OdA's successful development and maintenance of occupations. The 2004 Act also introduced sectoral VET funds, which offer a mechanism for forcing compliance in vocational training (Trampusch 2010). OdA may collect fees from firms that abstain from apprenticeship training; this provides firms with incentives to train and fosters the organizational autonomy and authority of the OdA vis-à-vis their members. Even if VET funds are only occasionally developed, the option of introducing such a fund can encourage employers to actively cooperate in VET to avoid a "penalty" in the form of such interference.

Thus, the new OdA represent a key building block in the Swiss response to post-industrialization, enhance employers' capacity to think collectively about their interests in the post-industrial age and have allowed private actors to enlarge their scope of influence in VET. OdA are also encouraging companies to cooperate on issues beyond the traditional domain of apprenticeship training, such as the extension of apprenticeship training to service sector workers not previously trained through the dual system (e.g., IT, health and social work occupations) (see Gonon and Maurer 2012). OdA have played an important role in initiating and organizing theory-reduced and inclusiveness-enhancing short-track (2-year) dual training since the 2000s. This short-track apprenticeship training, which leads to a federal vocational certificate (*Eidgenössisches Berufsattest*), exists for 57 occupations and constitutes around 9 percent of all certificates in initial VET (Kammermann 2017). It is specifically aimed at disadvantaged students and aims to maintain the inclusiveness function of VET in an era of rising skill requirements and academization.

The Swiss system is not perfect; in particular, the OdA and apprenticeships are stronger in the German language region than in the French or Italian ones, where VET happens more through vocational schooling. This strong regional variation reflects the rather fragmented associational system in Switzerland. However, the OdA organizations have regional branches that cater to the specific needs of local member firms.

In a rapidly changing world of work, the 2004 VET Act illustrates how Swiss actors have maintained apprenticeships through new forums for political negotiation. In the face of a major crisis on the apprenticeship market, collective actors in Switzerland have been successful in rebuilding the capacity for flexible adjustments through the establishment of close-knit OdA policy networks.

12.4.3. Britain

Britain has a small, decentralized vocational training system that is overshadowed by the much larger general secondary education system (Hall and Soskice 2001). In 1975, only one-half of a percent of secondary students were in technical schools, compared with about two-thirds of students in Germany (Wolf 2002). Yet vocational education has been a top priority of virtually every prime minister since Margaret Thatcher, and today 13,000 different vocational qualifications are available to 16 to 18-year-olds. Quantity does not, however, equal quality; and British VET is substandard when compared to Denmark or Switzerland (Nicholson and Fortwengel 2015). Most qualifications are at the lower secondary level that have little use for gainful employment; many qualifications constitute on-the-job training that has limited application beyond the firm; and participation in VET programs is quite small. Moreover, the market logic of recent VET initiatives, resulting in a plethora of programs offered by private sector providers, has made for overlapping qualifications with limited quality control. The vocational education system, if it may be described as such, has no common core of courses, and many qualifications have severely limited school-based components (Sainsbury 2016: 8–12). Although many countries face challenges of offering VET programs to both high-skilled and low-skilled workers, British vocational training has particularly long been a holding tank for students with behavioral or cognitive issues (King 1995). Employers tend not to value technical knowledge and assume that practical course will suffice for these students (Lewis et al. 2008; Brockmann and Laurie 2016). Moreover, training is disproportionately available to those with higher skills, thus those with A-levels are two times as likely to receive long training as those without (Adam 4–5). Vocational training is plagued by the limits of voluntarism and the absence of penalty defaults to induce action, so that training is under-supplied by firms (Gleeson and Keep 2004: 37). The UK Commission for Employment and Skills predicts that by 2020, Britain will rank 20th out of 33 Organisation for Economic Co-operation and Development (OECD) countries on the attainment of low skills and 28th on medium skills attainment (1 is best). Yet Britain is expected to rise to seventh place on high skills (Bosworth and Leach 2015: 7–8).

Politicians are perennially alarmed by the deficit of skills for non-professional workers. Britain lags 38 percentage points behind Germany in productivity, and the deficit of medium-skilled technicians and engineers is particularly troubling (Sainsbury 2016: 22). Britain has notoriously high levels of inequality, welfare dependency and social instability; and vocational training has been viewed as a palliative for these social ills. Indeed, some critics feel that skills initiatives offer the illusion of a “loser-free form of redistribution” and a solution to all social ills (Keep and Mayhew 2010: 565, 568).

Britain’s comparative disadvantages in the production of vocational skills prompted successive politicians from both parties to identify skills deficiencies as a major issue and the expansion of vocational training and apprenticeships

as a key solution. Labour governments in the 1970s created quasi-corporatist bodies to improve skills, e.g., the Manpower Services Commission. Margaret Thatcher replaced the Labour experiments with the Youth Training Scheme (YTS), General National Vocational Qualifications (NVQs) and an expanded industry for private training providers. Next, the Labour government of Blair and Brown introduced vocational GCSEs and vocational A-levels (corresponding to NVQ2 and 3) and the UK Commission for Employment and Skills (UKCES). Employers were encouraged to form industrial-level Trailblazer Sector Skills Councils. Business and technical education councils (BTECs) were also created for study in specific occupations (Cuddy and Leney 2005: 18, 28–30).

The Blair and Brown offensive to improve workforce skills did increase cooperation around vocational training in some industrial sectors. The UKCES was to monitor skills development in Britain and to help industrial sectors identify targets for skills development, and the body became a source of policy expertise to encourage British employers to use skills more productively and to build a shared consensus about the need for skills. The Sector Skills Councils created opportunities for repeated interactions between employers and other actors and built “wider networks to push forward employer ownership of skills” (UKCES 2014: 9).

Yet these limited vocational training initiatives were abandoned when David Cameron (Conservative Party) took office. Cameron phased out the Labour programs with his Skills for Sustainable Growth initiative, which relied on employers and individuals to take greater responsibility for building skills and devoted resources for expanding apprenticeships (Department for Business Innovation and Skills 2014). Yet most of the apprenticeship slots were to be at the unskilled level 2, and Cameron cut 25 percent from the national education budget at the moment he announced a plan for new apprenticeships (Payne 2011). The Sector Skills Council lost government funding, although some ventures were reestablished as non-profit entities and continued to receive some targeted funding for projects from the UKCES.² Ultimately, the Cameron-Clegg coalition government expanded training for 17 and 18-year-olds, but eliminated public support for the training of older adults, particularly for the FE colleges (similar to US community colleges) (interview with Association of Colleges March 2015).

The weakness of organized business and labor organizations has meant that these collective actors have not been able to organize constituents’ participation in training initiatives, and both industrial actors feel frustrated with the constant systemic changes made by political leaders. Business and labor perceived the UKCES initiative to be an unusual success story in the litany of government initiatives to develop skills training. A Confederation of British Industry (CBI) representative remarked that the UKCES bodies developed “business ownership” over vocational training, and reversed the government’s usual tendency to “do everything by government agency.” The Trade Union Congress (TUC) felt that it had significantly more input into the Labour government’s Leitch Report

and viewed the creation of the UK Commission for *Employment and Skills* (UKCES) as a major improvement for institutionalizing regular input by labour and business in the development of skills qualifications. As a policy-maker within TUC put it, “This was an effort to create some sort of corporatist-style mechanism that would bring the social partners together on a regular basis. The body did not approximate the full social partnerships found in Scandinavia, but it did provide both business and labor with some ability to comment on matters of public policy” (interview with TUC March 2015).

The constant changes in training approaches, associated with every shift in party control of government, dampen business support for new initiatives, and business and labor agree with the dismal assessment of Britain’s limited vocational initiatives. Both the CBI and the TUC criticize the quality of the Cameron-Clegg government’s skills initiatives, as both prefer more stringent apprenticeship programs that develop a minimum of level 3 competencies. A TUC representative explained, “Conservatives use the term ‘apprenticeship’ very loosely, and consider many sorts of provider-led, on-the-job training programs as apprenticeships. This negates the true meaning of an apprenticeship, which includes strong educational and work components” (interview with TUC March 2015). The CBI feels that the government’s “answer to everything is apprenticeships” and that it pays too little attention to the need for real skills and for training that will be widely embraced by parents and children. “The government has accepted the idea that there is a need for the resurgence of Britain’s vocational roots, they bought this yet they still behave as if these were policy for someone else’s children, for marginal workers. They bought the ticket but have not taken the journey. . . . Reform is driven by what government will fund rather than what business wants” (interview with CBI March 2015). CBI would like to see greater support for higher-level programs, particularly to aid small employers, and to convey the message that both the academic and vocational tracks are worthwhile. The weak organization of the social partners constrains their collective capacities for building skills. In this vein, the Wolfe report recommended creating stronger societal bodies to link education to the labor market and to oversee qualifications development, local assessment and quality assurance (Wolf 2011: 10–12).

12.5. Findings and discussion

Deindustrialization has greatly weakened “Golden Age” institutions for economic and social coordination, and one wonders how industrial relations institutions and vocational training systems can survive. Furthermore, the movement of greater numbers of youth into general education systems weakens the role of collective modes of governance in the educational process. Many view revitalization of VET as necessary, yet a vicious circle has stymied efforts in most countries: vocational training fares poorly without strong employers’ organizations, but there has been a hollowing out within employers’ organizations as they lose functions, including their significant influence over VET.

Our paper has used the cases of Denmark, Switzerland and Britain to explore efforts to renew vocational training institutions for post-industrial economies and the role of industrial coordination in this process. The reworking of VET by private actors – often under state leadership – unfolds in different ways in the three cases under consideration. In Denmark, reforms fare best when national-level, industrial relations associations remain involved in the reform process. In Switzerland, newly-created and occupationally-organized hybrid associations help to facilitate collective action, even in new service occupations, although this is most pronounced in the German-speaking region. In contrast, Britain offers a dismal picture of vocational training, apart from some apprenticeships in a few industrial sectors.

To account for differences in VET reform processes and outcomes, we have explored the rules of engagement that organize negotiations over policy reforms. We suggest that political pacts are successfully aided when change agents create a formal role for technical expertise to foster a shared understanding of a problem and its solutions. Formal arrangements for repeated interactions among diverse interests are also important to build trust among the relevant actors. Finally, the inclusion of penalty defaults for inaction has enhanced the likelihood to reach agreement.

In Denmark, a crisis of vocational training and growing ranks of NEETs signaled a penalty default to non-action. Political leaders recently turned again to corporatist negotiations – and processes of repeated interaction – to reform vocational training. In Switzerland, the new occupational intermediary organizations enhanced employers' capacities for repeated interactions and enabled them to think collectively about their interests in conjunction with labour and other groups, within a strongly decentralized system. Finally, the British case illustrates the great difficulties of developing a national vocational education strategy in the absence of institutions and rules for collective political engagement. Among other problems, frequent changes in party control of government destabilize business-labour relations and impeded lasting vocational reforms.

Both sustaining industrial relations coordination and vibrant vocational training increasingly depend on the creation of new flexible forums for collective political negotiation. The use of technical expertise, repeated interactions and default penalties may help actors find new and flexible ways to coordinate in the current, rapidly-changing socio-economic environment. Encompassing employer's associations and unions working together (as in Denmark) or hybrid employers' associations in the absence of strong unions (as in Switzerland) can provide the micro-level foundations for cross-class coalitions and negotiations around the reform of vocational training in the post-industrial age.

Notes

- 1 [http://eng.uvm.dk/upper-secondary-education/vocational-education-and-training-vet-](http://eng.uvm.dk/upper-secondary-education/vocational-education-and-training-vet/) (last accessed November 17, 2017).
- 2 <http://www.cogentskills.com/about-cogent-skills/our-history> (last accessed November 17, 2017).

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