THE POWER OF IDEAS: THE OECD AND LABOUR MARKET POLICY IN CANADA, DENMARK AND SWEDEN

by

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A thesis submitted to the Department of Political Studies

in conformity with the requirements for

the degree of Doctor of Philosophy

Queen’s University

Kingston, Ontario, Canada

January 2011

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Abstract

This thesis advances our understanding of how ideas play a role in policy making by examining the processes and conditions that facilitate their international diffusion into domestic debates, their acceptance by policy actors, and the ways in which their acceptance alters policy processes and policy itself. Specifically, the thesis studies the impact of labour market policy ideas from the Organization for Economic Cooperation and Development (OECD) and its large-scale study on unemployment, the *Jobs Study*, in three OECD member states: Canada, Denmark and Sweden.

This thesis shows that ideas play a number of roles: sometimes they are simply employed to help legitimize pre-determined policy positions; but sometimes a process of learning takes place, and new ideas change actors’ beliefs about what is and what ought to be, and as well their conception of their own interests and goals. Consistent with previous research, policy failure and uncertainty open actors up to the policy learning process and acceptance of new ideas. More than earlier studies, however, this thesis highlights the role of pre-existing beliefs. Accepting one new idea over another is largely determined by the values and beliefs actors bring to bear when judging new ideas; and thus, the cases show a pattern of acceptance for OECD ideas that largely follows along professional boundaries and/or ideological leanings. Moreover, pre-existing beliefs that are intertwined with an actor’s identity tend to be more resistant to change.

As other ideational scholars argue, a change in individuals’ beliefs can alter both the policy process and policy itself. When acceptance of an idea is widespread, problems
of collective action can be overcome. When beliefs are not as widely shared, their impact on policy depends on many factors. Fragmentation of power and accountability can create “veto players,” and previous policies can create constituencies of supporters, some of whom may resist change. However, during a policy paradigm change, a shift in authority over policy can alter the political landscape and whose ideas matter. Given all these variables, the impact that a belief in new ideas can have on policy is highly mediated, and policy reforms, therefore, may not resemble the ideas which triggered the acceptance of change in the first place.
Acknowledgements

Above all, I want to thank my supervisor, Keith Banting, for his unwavering support on this journey, which has included such detours as a significant change in topics and my decision to take-up full-time employment in Ottawa. Keith has been the model supervisor, providing timely and constructive feedback, insightful questions, and reassurance when I needed it most. He made many of my interviews possible, connected me with other academics, and helped me enter a career in the public service. In short, he has shown an interest not just in my thesis, but my overall development and well-being. I feel extraordinarily fortunate to have had him as a supervisor and champion.

Many thanks must also be paid to the anonymous interviewees who helped to make this thesis possible. I appreciate tremendously the gifts of their time and willingness to speak openly with me about their experiences. These conversations have been a highlight of this process.

I also feel very fortunate to have discovered other scholars who share an interest in the OECD and public policy. Many thanks to Rianne Mahon, Robert Wolfe, David Elder, Stephen McBride, and Russell Alan Williams for their comments and encouragement. I have also benefited from feedback and advice from Grant Amyot, Andreas Bergh, Michael Howlett, Margaret Little and Bruno Palier. Thanks to you all.

Ideas do not float freely. Luckily, neither did I while undertaking field research in Europe. Many thanks to Kerstin Jacobsson and SCORE (Stockholm Centre for Organizational Research), as well as Jacob Torfing and the Centre for Democratic Network Governance at Roskilde University for providing me with the resources I
needed. My good friends Anneli Ostberg, Marisol Santos Moreira, Claes Lernestedt and Laila Abdallah also deserve recognition. Because of you, I always felt I had a home away from home.

To the many friends who accompanied me on this journey – more than I can list here – thank you for your support and encouragement, but also for providing a counterbalance to the solitude of reading and writing. Thanks especially to Cheryl Auger, Hasini Palihapitiya, Emmett MacFarlane, Anna Drake, Mira Bachvarova, Nick Hardy, Dimitri Panagos, Tamara Small, J.P. Lewis, Wendy Luella Perkins, Elizabeth McCann, and Duncan Cass-Beggs.

Finally, many thanks to my family: my mother Sue, father Mike, and brother John, who nurtured my interest in learning, politics and public policy. Their constant love and support, financial assistance, and eagerness to see me with cap and gown receiving my degree, has carried me through. And to my dear Jeremy, I greatly value all the light and laughter you have brought into my life. Thanks for your editing, your cooking and your love.
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Chapter 1
INTRODUCTION

The aim of this thesis is to improve our understanding of the role and influence of ideas in domestic policy making. The research was structured around two main questions: to what extent can the nature of policy reform be explained with reference to the influence of a particular set of ideas? and under what conditions and through what processes does a set of ideas exert influence on policy making? This thesis hopes to both deepen our knowledge of ideas - an understudied part of political life - and enhance our understanding of the public policy process more generally.

There has been a recent trend in many sub-fields of political studies, particularly International Relations (IR), International Political Economy (IPE) and comparative public policy, to consider the role of ideas (Jacobsen 1995, 283). Scholars have made this turn to ideas in an attempt to overcome the explanatory gaps left by their current approaches to studying political life, which have privileged other factors such as institutions and rationally-based interests. These approaches have had difficulty explaining, among other things, the content of agent interests, the shape of policy reforms, and the creation of new institutions. These gaps will be discussed further in chapter 2.

The main purpose of this study is to understand ideas as ideas: what they are, what role they play in the policy process, and under what conditions they play a role in political life. Ideas are at the centre of analysis in this study.

But, what is an idea? Some scholars have spent considerable time and effort on defining and categorizing ideas along multiple dimensions (see Campbell 1998; Campbell
They have shown that ideas can be empirical claims or normative assumptions; they can be at the forefront of debates or the backs of our minds; they can be all-encompassing (e.g., ideologies) or highly specific (e.g., a policy position). Many descriptions of what ideas are, however, are really about what ideas do. For example, ideas have been described as “frames” (e.g., Campbell 1998), “cognitive locks,” and “blue prints” (Blyth 2001). Given that there is still much empirical investigation to do to fully understand what ideas do, it is perhaps better to remain broad in our definition of them. The definition that will be adopted here is that ideas are “claims about descriptions of the world, causal relationships or the normative legitimacy of certain actions” (Parsons 2002, 48).

When choosing ideas to study, Berman has suggested that scholars of political studies may want to look for “middle-range” ideas (i.e., not too all-encompassing, but not too specific) which can be clearly defined and identified should they be present in political debates. Ideas that provide some guidelines for practical activity may be the most worthwhile for scholars to study (1998, 21-22).

Furthermore, choosing a set of ideas espoused by an international organization provides an opportunity to investigate an understudied dimension of globalization, namely, the international diffusion of policy ideas and role international organizations play in that process. Though the international spread of policy-related ideas is not new, some scholars have argued that the diffusion of policy ideas has increased as a result of the improved means of communication and transportation, the growth in new venues of global governance and the formation of global policy networks (Dolowitz 2000, 1; Stone 2003, 3). Yet the literature on globalization has often focussed on the material (e.g., trade)
as opposed to the ideational aspects of globalization. By studying ideas espoused by an international organization, this particular dimension of globalization and its role in the domestic policy process might be better understood.

With this in mind, this thesis looks at the role and influence of a large-scale study on unemployment called the *Jobs Study*, which was initiated by the Organization for Economic Cooperation and Development (OECD) in the 1990s.

The mandate for the study came in 1992, when unemployment in most OECD countries reached very high levels. The OECD’s Secretariat was directed by member states “to initiate a comprehensive research effort on the reasons for and the remedies to the disappointing progress in reducing unemployment” (OECD 1992b). This comprehensive research effort resulted in the OECD *Jobs Study* of 1994, which included nine broad policy recommendations covering a range of policy areas, including labour market, education, technology, business and macroeconomic policy. This thesis will focus primarily on the recommendations for labour market policy which, as will be discussed later, made up the majority of the OECD’s recommendations. In the years following the initial study, further reports were published by the OECD under the *Jobs Study or Jobs Strategy* title (see Appendix A), and, most importantly, a process of tailoring the nine broad recommendations to the circumstances of each member state was initiated. Member states were then periodically assessed or “peer reviewed” on their progress in implementing these recommendations.

The *Jobs Study* was, however, more than a list of recommendations. It offered a full approach to fighting unemployment, including a model of labour market policy. The

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1 In the years following the *Jobs Study*, progress reports and other documents following-up on the study frequently used the term *Jobs Strategy*. Both terms are thus related to the same project of alleviating unemployment. However, *Jobs Study* will be used throughout this thesis.
study concluded that the rise in unemployment was primarily structural rather than cyclical, and argued for reducing labour market “rigidities,” such as high employment protection, wage subsidies and generous unemployment assistance. The study recommended reforms to increase labour market flexibility such as placing greater emphasis on active rather than passive labour market policies, lowering wages for particular populations such as youth, and tightening the eligibility for unemployment benefits (OECD 1994g). For many countries, moving towards this model of labour market policy would have required some fundamental changes to their labour market programs, policies and institutions.

The decision in this thesis to focus on a particular study by the OECD was made for a couple of reasons. Since the aim is to understand primarily the role of ideas, the OECD is an ideal subject because it does not have financial or legislative resources to wield, only ideas. Choosing the OECD limits the chance that direct coercion explains policy reforms. Also, by examining ideas espoused by an international organization this thesis explores not only the influence of ideas domestically but how they are diffused from the international arena to the domestic.

The thesis looks specifically at the influence of OECD ideas in three member states, namely Canada, Denmark and Sweden (the reasons for choosing these three cases are discussed in the next chapter). The approach adopted here rests on an assumption that the influence of ideas cannot be fully determined by looking only at the final outcomes of the policy process. The political debates and negotiations of the time must also be examined. Through the method of process tracing, this thesis establishes to what extent OECD ideas were transferred into domestic policy debates and accepted by key policy
actors. It also assesses how and to what extent this acceptance had an impact on the policy process and policy itself. The conditions and the agents that facilitated this transfer, acceptance and impact of ideas are also examined.

This thesis shows that ideas play a number of roles: they can be employed to help legitimize policy positions that actors know they already want to take; or, through a process of learning, ideas can change actors’ beliefs about what is, what ought to be, and their interests and goals. Consistent with previous research, this thesis shows that the policy learning process typically arises out of conditions of policy failure and uncertainty. These conditions open actors up to accepting new ideas. The thesis also shows that the decision to accept one idea over another is largely determined by the values and beliefs actors bring to bear when judging new ideas; and thus, this thesis shows a pattern of acceptance for OECD ideas that follows along professional boundaries and/or ideological leanings: ministry of finance officials, neo-classical economists, employer association members and right-of-centre politicians were more likely to accept OECD ideas than labour unions and left-of-centre politicians. Furthermore, as will be highlighted in the Swedish case, those beliefs that are deeply intertwined with one’s identity are more resistant to change.

The acceptance of new ideas can have several impacts on the policy process and policy itself. The thesis shows that when acceptance of an idea is widespread, problems of collective action can be overcome. When beliefs are not widely shared, other factors will help determine whose ideas impact policy and whose do not, and mediate the impact of those ideas. Actors with greater authority or power, of course, are better positioned to have their ideas taken up. Yet, as will be shown in a couple of cases, a change in the
overarching policy paradigm can lead to a shift in authority over policy, thereby changing the political landscape and whose ideas matter. As already well articulated in the literature on welfare state reform, power and accountability are often fragmented within the state creating “veto players,” and previous policies can create strong constituencies of supporters who resist change. Governments may have to employ political tactics to overcome these obstacles to reform. Given all these variables, the impact that a belief in new ideas can have on policy is highly mediated, and policy reforms, therefore, will not resemble the ideas which triggered the acceptance of change in the first place.

This thesis begins in chapter 2 with a review of the ideational literature and the modes, actors and conditions that researchers have identified as being connected with ideational influence. A brief discussion of the research method and the sources used is also included. Following that, chapter 3 examines the structures and functions of the OECD and chapter 4 provides an in-depth look at the OECD Jobs Study. Following chapters on each country study, the thesis compares the findings from all three cases in chapter 8, before drawing final conclusions in chapter 9.
Chapter 2

STUDYING THE ROLE OF IDEAS IN PUBLIC POLICY

This chapter reviews the literature on ideas and outlines the theoretical framework that will structure the remainder of this thesis. The chapter begins with a discussion of ideas as a unit of analysis and what it means to use ideas to help explain the policy-making process. This is followed by a presentation of the framework for analysis, which examines three stages in the life of an idea: the transfer across borders; the acceptance by relevant actors; and the impact on political life. The chapter ends with a discussion of methodology and case selection.

2.1 The Explanatory Role of Ideas

Until recently, scholars of public policy have largely ignored the role of ideas in the policy process. They have focused instead on the influence of institutions, power relations and interests. The more recent interest in ideas has been a reaction and corrective to the perceived limitations of these other analyses. A description of the turn to ideas has been well documented (see Béland 2009; Blyth 1997, 2003; Gofas and Hay 2008). Historical institutionalists turned to ideas because of “the static and overly deterministic nature” of their existing explanations. They sought a better account of policy and institutional change (Schmidt 2008, 304; Blyth 2003, 696). Rational choice scholars, on the other hand, were having difficulty predicting and explaining policy outcomes (Jacobsen 1995, 284); they needed to more adequately explain stasis (Blyth 2003, 696).
Historical institutionalism is grounded in the assumption that institutions create opportunities and constraints for political actors. According to this approach, institutions shape actors’ behaviour by providing them with “greater or lesser degrees of certainty about the present and future behaviours of others” (Hall and Taylor 1996, 939). Historical institutionalists have also developed a substantial body of work investigating the path-dependent nature of policy development, and the important role played by institutions in producing these paths (Hall and Taylor 1996, 941; also see Thelen 1999 for a review of this literature).

Historical institutionalism has less to say, however, about the process of agenda-setting and the construction of policy problems. While historical institutionalism specifies the “rules of the game,” it does not adequately explain the origins of policy choices or the policy goals of actors. According to Béland, studying “institutional factors may help to explain why a policy alternative is defeated or enacted but it can seldom account for the reasons why actors conceived and made sense of this alternative in the first place” (2009, 703). Consequently, institutionalists have turned to ideas to help explain agenda-setting, the content of policy, and the dynamics of policy change and institutional creation.

For rational choice scholars, actors’ interests are the basis of their theories. But, because actors are assumed to be largely self-interested, rationalists have difficulty explaining both collective action and relative stability in political life. “Indeterminacy, defection and a lack of successful collective action seem to be the unavoidable outcomes of a rationalist world” (Blyth 2003, 696). To overcome this problem, rational choice theorists have introduced institutions into their accounts to help explain the relative stability of political life. However, in doing so, they introduced the additional problem of
explaining how institutions come to be in the first place, given the original trouble of how to account for collective action among individuals who are self-interested maximizing agents. Therefore, rational choice scholars have turned to ideas (Blyth 2003, 696).

Thus some of the research on ideas has been carried out by scholars grounded in their distinctive theoretical frameworks who incorporate the concept of ideas after the fact into their work (see Blyth 1997; Woods 1995; Jacobson 1995). For example, “discursive institutionalism” integrates ideas into an institutionalist approach (see Schmidt 2008). Others, however, place ideas at the centre of their analyses and borrow from other approaches as needed (e.g., Berman 1998; Hansen and King 2001; McNamara 1998; Sikkink 1991). This thesis takes the latter approach. The focus is on how ideas play a role in the policy process.

Many ideational scholars insist that to place ideas at the centre of analysis requires demonstrating that ideas have an “independent” effect on political life. Yet no variable is truly “independent” in the sense that an independent variable in one interaction is soon the dependent variable in another. Therefore, Sheri Berman has suggested that ideational scholars should strive to show that the effects of an idea “cannot be reduced to some other (structural) factor in the contemporary system” lest they get caught up in the causal chain of events that goes back in time indefinitely (1998, 18, emphasis in the original).

Berman makes another important claim: ideational scholars should strive to show that the effects of an idea cannot be reduced to some other (structural) factor. However, as this thesis argues, this does not preclude the possibility that other factors play a supporting role in the explanatory story. Hugh Heclo’s Modern Social Politics in Britain and Sweden, perhaps the seminal work on policy learning, illustrates this point. Heclo
ponders how political forces influence “the advent and extension of modern social policy,” comparing the explanatory power of a number of factors including political parties, interest groups, bureaucratic learning and socio-economic development on social policy expansion (1974, 3). Heclo finds that expansion of welfare policies was linked to affluence, not poverty, and therefore socio-economic development was a necessary condition for the development of modern social policies (285). Yet he also concludes that socio-economic development cannot explain the policy leads or lags of different countries, nor differences in substantive policy content (288). To fill this explanatory gap, a reference to political forces is needed. According to Heclo, the difference in the level of analysis accounts for the need to employ political as well as socio-economic variables in the explanation:

“In short, there is no valid either/or choice – political versus socio-economic variables – in understanding the growth of modern social policy. The match is a non-contest. Through politics, society has been supplied with the effective perceptions and substantive responses for adapting collective arrangements to meet the problems raised by economic growth. Apart from the policy process there were no “problems,” only conditions. The grand choice between economic and political explanations turns out to be little more than a difference in analytical levels, a difference between the socioeconomic preconditions and the political creation and adjustment of concrete policies” (288).

For ideational scholars, Heclo’s observation is relevant. Unless one believes that the material and ideational worlds are entirely distinct, then the possibility of ideas carrying all of the explanatory weight in any one analysis is unlikely. Instead the burden will be shared between the ideas shaping policy and the economic and social changes which create the “pre-conditions” under which ideas play a role. Scholars need, therefore, to look at both the changes in the material world as well as the ideas that actors use to interpret those changes. This thesis, for example, examines a set of ideas (i.e., the Jobs
Study), developed in response to high levels of unemployment in OECD member states. While the condition of unemployment may provide a partial explanation for subsequent reforms, the remainder of the explanation comes from understanding how this “condition” was problematized and politicized. In this regard, ideas and other factors play a central role.

As this thesis will show, it is also unlikely that policy can be explained by one political factor alone, including ideas. Thus the challenge for ideational scholars is to show what role ideas do play, and how that role is not played by some other factor in the contemporary system. The task is not to replace or discredit the rich findings of previous scholarly work on the welfare state, but to ask different questions about the policy process and broaden the analytical gaze to include other dynamics occurring within the policy process and show how ideas play an important role alongside a number of other variables.

Here is an example to illustrate. One of the most frequently cited works concerning the politics of the welfare state is Paul Pierson’s Dismantling the Welfare State? (1994). The book is about the Reagan and Thatcher administrations and their (lack of) success in rolling back the welfare state. Reagan and Thatcher were the epitome of politicians driven by ideology, therefore this topic would appear to be a promising study for revealing how ideas affect the policy process. Pierson himself notes that Reagan and Thatcher’s striking divergence on the treatment of government revenues was the result of their ideational differences, with British policy guided by monetarist goals of managing the money supply, and U.S. policy guided by supply-side economic advisors who saw tax-cuts rather than balanced budgets as the key to success (177). Yet, Pierson writes, “I have downplayed the independent role of ideas and learning processes in policy
formation.” Though economic ideas may have been linked to their priorities, “these priorities were in turn shaped by the different circumstances facing the two administrations,” including political institutions, the concentration of interest groups and policy legacies (177).

Pierson thus relegates ideas to the background of his analysis and does not question their prominence or form. By comparing governments with broadly similar ideologies, Pierson in some respects is controlling for the impact of ideas on the shape of policy, and calling greater attention to the institutional and other non-ideational factors in the policy process. His findings are an important contribution to the literature, but only take us so far towards understanding the politics of policy making.

Ideational analysis would help further our understanding. It would prompt scholars to formulate different questions. Taking Pierson’s case as an example, an ideational analysis could be used to shed light on why both the U.S. and the U.K. governments had broadly similar ideological positions at the same time in history, or to explain why, within that broad similarity, there was variation.

Such questions would set the analytical gaze on different dynamics, places and times in the political process. Pierson is concerned with politics after the introduction of two new governments, and his research highlights the limits of their ideological agendas. Yet, his work tells us little about the process of agenda-setting and the processes contributing to the rise and fall of different ideologically positioned governments, which are equally important questions, particularly for understanding shifts in the trajectory of policy.
Bringing in ideas does not mean that the historical and institutional variables highlighted by Pierson and others need to leave the analytical framework. The well-documented role of institutions in constraining choice and behaviour, for example, should remain a key part of ideational analyses.

Interests, too, are important variables and their relationship with ideas needs consideration. In fact, this relationship has received much attention in the ideational literature because, as ideational scholars are concerned with demonstrating the independent impact of ideas on policy, the possibility that ideas may actually be “epiphenomenal to other, interest-based factors” has been a considerable challenge to that independence (Hansen and King 2001, 258).

The position adopted in this thesis, which is consistent with the position of many other ideational scholars, is that interests are not separate from ideas (e.g., Blyth 2002, Berman 2001, Sikkink 1991). Interests are not directly derived from the material world. Interests are perceived; and ideas inform that perception. In other words, agents want what they want in part because of the ideas they hold. As such, one way ideas can affect the policy process is by altering interests. Many scholars suggest that this is the main power of ideas (e.g., Blyth 2002, Berman 2001, Sikkink 1991).

This belief, however, is not universally shared. Other scholars argue that agents use ideas to help advance their pre-existing interests. For example, ideas may act as “road maps,” aiding actors in seeing more clearly how they can obtain their goals (Goldstein and Keohane 1993). Or ideas may help legitimize actions taken in pursuit of pre-existing interests (Hansen and King 2001). In this more “instrumental” role, ideas still have a significant influence on the policy process, especially if it can be shown that without the
presence of those ideas, the policy process would have been different (Hansen and King 2001). However, ideas are not always limited by what pre-existing interests dictate. Ideas can change actors’ interests by providing the content for new beliefs (Blyth 1997; Jacobsen 1995). The position taken in this thesis, is that the role ideas play, whether as instruments used by actors with pre-determined interests, or as a determinant of interests, is an empirical question that scholars need to explore. As Risse et al have argued, “it is impossible to evaluate ideas ‘against’ interests in any meaningful sense, unless we specify which ideas we mean and which interests” (Risse and Weiner 1997, 779). More generally, the challenge for ideational scholars is not to show that ideas are the sole reason for policy change, but to understanding their role or degree of impact on the shape of policy.

Given the need for an ideational analysis to be sensitive to other variables mediating the impact of ideas, this thesis adopts a distinctive approach to analyzing the role of ideas, one that contrasts with earlier studies on the impact of OECD ideas. These earlier studies compared OECD recommendations with subsequent policy reforms in OECD member states (see Armingeon and Beyeler 2004; McBride and Williams 2001). For example, in The OECD and European Welfare States, the “congruence” between OECD recommendations and domestic policy reforms in fourteen West European countries is examined over a span of 30 years, covering labour market, old age, education and finance policy (Armingeon and Beyeler 2004). The authors “do not find evidence to support the notion that the OECD produces blueprints for policy change which are then easily applied to a country’s national political agenda” (Armingeon 2004, 236). Rather, they argue that “the organization’s impact is contingent and indirect. Policy proposals have a chance of being considered if they do not conflict with the power of major
domestic actors ... or with the values and attitudes held by the overwhelming majority of citizens” (236). The authors, however, have little way of knowing if this is true. Since an in-depth investigation into the policy process for each policy area in each country was not a part of their method, they had little way to tell if indeed these ideas had an indirect effect and what that effect might have been.²

To understand the role of ideas, scholars need to pay attention to the details of the policy process, which means employing, as this thesis does, the method of process tracing. With this method, scholars examine closely the changes in actors beliefs and motivations, as well as identify the modes through which ideas impact the policy-making process. Such a method allows scholars to see the role ideas have even when policy reforms do not closely resemble the ideas on which they are based. More will be said about this method later in this chapter.

Now, with a clearer idea of what can and should be achieved in an ideational analysis, let us turn to the proposed framework for analysis.

2.2 Framework for Analysis

So far, it has been argued that if researchers want to demonstrate that ideas can be, and are, powerful factors in the political process, it is not enough to show a correlation between ideas and policy outcomes. Scholars also need to effectively describe the modes or mechanisms by which ideas influence political thought and behaviour and therefore

² Some analysis related to the policy-process was provided. Information (two or three paragraphs) on the number of explicit references made to the OECD in legislative debates was provided for each country. The assumption was that if the OECD was a force of change it would receive explicit reference in the legislature. Nevertheless, more research of this kind is needed to gain a more complete grasp of the influence of OECD’s ideas.
policy-making outcomes. They also need to explain the conditions which allow these modes to function and, as ideas do not float freely, they also need to illustrate how and which actors are a part of this process.

The framework for analysis used in this thesis breaks down the process of ideational influence into three parts: idea transfer, idea acceptance and idea impact. Idea transfer refers to the movement of an idea from its origin (e.g., the OECD) into domestic policy debate. Since the countries in this study are members of the OECD, it can be assumed that at the very least some members of the bureaucracy and government were aware of the *Jobs Study*. Transfer, therefore, shall refer to more than mere awareness. It was that attention was paid to these ideas; they were considered, debated or commented upon. Evidence of a successful transfer includes references to the *Jobs Study* in the national media, interest group publications, think tanks reports, government documents or parliamentary debates. Even if there was no explicit reference to the OECD or the *Jobs Study*, interviews may indicate that OECD ideas were debated in private.

The next stage of analysis is to investigate the acceptance of ideas. Acceptance occurs when individuals (e.g., senior bureaucrats, ministers) or groups (political parties, labour union or employer associations, interest groups) who are central to the policy-making process come to believe in that idea. It could, but does not need to imply that there was consensus among key actors, only that some actors became advocates for these ideas. Evidence of acceptance will be found in the media, reports and statements by key actors, parliamentary debates, as well as interviews.

The final step is to determine the impact of accepted ideas. In other words, how does having key actors believing in OECD ideas affect the policy process and therefore
policy itself? The impact may be seen, in part, in the shape of the reforms themselves, which can be derived from secondary sources, government documents, or the news media. But the impact may also be seen in how the policy reform process is shaped by actors who have accepted OECD ideas, and thus interviews will be a key source.

By examining all three phases – transfer, acceptance and impact – this thesis captures both the “dynamics” of ideas (where they come from, how they are diffused and where they go); and the “power” of ideas (what effect ideas have on agents and on the policy process) (Marcussen 2000, 2-3).

Empirically, the distinction between the three stages is not clean, particularly the processes of transfer and acceptance. For example, the two are not always temporally distinct, as the acceptance of ideas can facilitate the transfer of ideas. Thus, the review of the literature will examine transfer and acceptance together.

2.2.1 Idea Transfer and Acceptance

What follows is an exploration of several possible modes or mechanisms of policy transfer and acceptance. After these modes have been identified, the conditions under which these modes are likely to function will be discussed, including those conditions inside the OECD and domestically. The role that actors play in the transfer and acceptance process will then follow.

2.2.1.1 Modes of Transfer and Acceptance

Three main modes of ideational transfer tend to be highlighted in existing studies: policy learning, legitimization, and external inducement (see Berry and Berry 1999;
Policy Learning

Though there is no one accepted definition of policy learning, it is generally understood to be “a change in ideas or beliefs, skills or competences as a result of the observation and interpretation of experience” (Hemerijck and Visser 2003, 5). Sometimes referred to as social learning, it has been used to refer to both learning done by individuals and collections of individuals such as the bureaucracy or the state. As a result of learning, the range of actors’ potential behaviour is changed (Hemerijck and Visser 2003, 5). Some scholars have defined social learning such that actual change in behaviour must be observed for it to be said that learning has occurred. For example, Peter Hall has defined social learning as “a deliberate attempt to adjust the goals or techniques of policy in response to past experiences and new information”; and therefore, “learning is indicated when policy changes as the result of such a process” (Hall 1993, 278). Others would argue, however, that to fully explore the relationship between learning and policy reform, researchers need to keep the two analytically distinct (Hemerijck and Visser 2003, 5). The framework adopted here follows this second approach, leaving it to empirical investigation whether or not learning has an impact on policy.

Learning processes, as argued by Peter Hall, may take different forms (1993, 278). Drawing on his observation that the policy-making process “usually involves three central variables: the overarching goals that guide policy in a particular field, the techniques or

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3 One of the main divisions between scholars that employ the concept of policy or social learning lies between those that see learning as a process that involves the acquisition of new knowledge or information (or at least its reassessment) and those (such as post-modern constructivists) who see our understanding of the world as embedded in language (not in any objective reality) and therefore it is only through changes in language (not information) that we can experience changes in meaning and thus learn.
policy instruments used to attain those goals, and the precise settings of these instruments,” Hall proposes that social learning can lead to three distinct kinds of policy change (1993, 278).

“First order” changes involve adjustments to instrument settings (e.g., raising or lowering unemployment benefit levels). “Second order” changes occur when both policy instruments and their settings are altered (e.g., moving from means-tested income support to refundable tax credits) (1993, 278). First and second order changes result from learning processes that are a part of “normal policy making” (1993, 279). Adjustments to instrument settings in particular, are part of the incrementalism and satisficing that are thought to be typical of the policy process. While also part of routine policy making, second order changes, however, require more strategic action than first order (1993, 279-80).

Finally, “third order” policy change entails altering or reprioritizing policy goals, as well as changing instruments and instrument settings. Hall refers to this process as a policy paradigm shift. Because it involves such radical changes (i.e., replacing the ideational framework which actors use to make sense of a particular policy area), a paradigm shift occurs relatively rarely, unlike first and second order changes. Not only do the goals, instruments and instrument settings change, but there is also a shift in how actors perceive the very nature of the problems that policy is meant to be addressing (1993, 279). Once a paradigm is established, according to Hall, it often becomes taken for granted and “unamenable to scrutiny as a whole,” influencing how actors see the world and the discourse they use (Hall 1993, 279).
While Hall does not use the term “interests” as a key concept in his theorizing, one can imagine that social learning leading to third order changes (and thus the reprioritizing of policy goals and rethinking of policy problems), will have repercussions for what actors perceive to be in their interest. Thus, policy learning is a mode of idea transfer and acceptance with potentially significant implications for the policy process and policy reforms.

**Instrument of Legitimization**

A second main way ideas are transferred into political debates is when actors use ideas to legitimate policies they already desire. Less has been written in the ideas literature about this mode than other modes such as policy learning, perhaps because ideational scholars have been somewhat preoccupied with demonstrating the power of ideas in defining interests rather than legitimating them (for example Blyth 1997). Nevertheless, Hansen and King have argued that ideas can still have tremendous influence on policy even when they work with, rather than change interests. As they argue, “ideas are not epiphenomenal [to interests] if they serve to strength the position of the carrier arguing in favour of the policies backed by the idea or if they lend further support to the ideas themselves. Ideational frameworks nonderivatively influence policy if they independently encourage support for a policy” (Hansen and King 2001, 259). As discussed earlier in this chapter, there is no a priori reason that ideas should be considered more “powerful” if they work to change interests than if they simply work with them. In fact, Hansen and King argue that ideas are more likely to become policy when there is a “synergy between ideas and interests” (Hansen and King 2001, 262).
There are several ways ideas can support the interests of actors. First, they can provide cover for something an actor wants to do anyway. For example, politicians may know they want to cut unemployment benefits for ideological reasons, but may reference a theory from a prominent economist to show that cutting benefits reduces unemployment in the long-run. Second, ideas may be used to enhance an actor’s profile or reputation; or third, actors may try to build a coalition around a particular idea that fits with multiple interests (Hansen and King 2001, 259). Likely, there are even more ways ideas can be employed to push forward an actor’s agenda.

**External Inducement**

Finally, policy transfer can also result from direct or indirect external (non-domestic) pressure. This can range from “overt coercion to the loose structuring of incentives and sanctions” (Ikenberry 1990, 99). The International Monetary Fund (IMF) and the World Bank, for example, can apply direct external pressure. Due to their financial and political might, they can stipulate national policy reform in exchange for loans or other forms of aid.

However, this thesis examines the OECD precisely to rule out the possibility that direct coercive mechanisms, rather than the power of ideas themselves, might explain the movement of ideas. The OECD, as will be further elaborated in chapters 3 and 4, is an organization which does not possess financial powers like the IMF or the World Bank, nor legislative powers like the European Union. Instead, the OECD’s might is its intellectual resources - its economists and links with international experts and member state bureaucracies - which allow it to produce, in essence, only ideas.
By using ideas, though, the OECD can engage in what Martin Marcussen calls “indirect coercion” (2004, 18). This type of coercion operates as peer pressure: standards of behaviour and legitimate discourses are shaped by the OECD and social pressure is applied to ensure compliance. “Peer review,” which applies subtle peer pressure is a common practice at the OECD. For example, in the Economic and Development Review Committee, OECD member states are assessed by their peers on their progress in a variety of policy areas. This assessment, along with recommendations, is published in the OECD Economic Survey. Studies by Sullivan (1997) and Aubrey (1967) have attested to the powerful effect that peer pressure has had in the OECD.

However, some scholars would also argue that, especially in a venue like the OECD, the process of indirect coercion functions because those on the receiving end are already amenable to this pressure. Interstate competition may motivate states to be sensitive to how well they are measuring up to their peers (Dolowitz 1997, 26; Ikenberry 1990, 101-2). Porter and Webb (2009) have argued that states have a desire to be perceived as doing what all other modern liberal democracies do, in an effort to maintain a sense of identity and belonging. Or governments may simply wish to emulate, and share in, the policy successes of their peers (Ikenberry 1990, 101-2). Thus, the processes of indirect coercion and social learning may sometimes be indistinguishable when actors are seeking out information to help them conform to, or surpass, expectations, at the same time that pressure is being applied by external sources such as their peers. Thus, Martin Marcussen (2004) considers indirect coercion to be a form of social learning. At the OECD, where member states have a role in developing and agreeing to the criteria that
will be used to evaluate their own performance, such blurring between social learning and indirect coercion can occur.

### 2.2.1.2 Conditions of Transfer and Acceptance

Just as important as identifying the modes by which ideas are transferred and accepted is understanding the conditions that allow these modes to operate. This section will look at the conditions in an actor’s broader and more immediate environments.

A common theme that runs throughout the ideational literature is that uncertainty, crisis, or policy failure can open up a window of opportunity for learning (Checkel 1999; Flockhart 2004), for paradigm shifts (Hall 1993), and for ideas to re-define and shape interests (Blyth 2001). Some have chosen to emphasize policy failure as a key condition, while others have emphasized uncertainty.

Peter Hall argues that policy failures and other anomalies which the current paradigm cannot explain, play a significant role in supporting the social learning that leads to policy paradigm change. In his examination of economic policy in Britain, Hall finds that dissatisfaction with past policy leads to first and second order changes (i.e., changes in instrument settings and policy instruments); but a number of additional conditions leads to third order changes (Hall 1993, 283). In his case study, economic events unfolded which the current paradigm (i.e., Keynesianism) could neither fully anticipate nor explain. “They were ‘anomalies’ in the Kuhnian sense, which called into question the adequacy of Keynesian analyses of the economy” (Hall 1993, 285). Furthermore, attempts to correct these failures or anomalies with policy experimentation only had the effect of “stretching the intellectual coherence of the paradigm… to the point
of breaking” (Hall 1993, 285). Under these conditions a “contest” began to determine which set of ideas would replace the existing paradigm (Hall 1993, 280).

This process, in which a perceived failure creates the conditions for learning, has a basis in psychological theories. According to consistency and dissonance theories, individuals seek consistency among their beliefs. When an external shock results in a perceived inconsistency, individuals may experience “cognitive dissonance” and become motivated to alter their beliefs, thereby obtaining psychological relief (see Festinger 1957; Fiske and Taylor 1991; Elliot and Devine 1994). Furthermore, as ideational scholar Martin Marcussen has argued, drawing on psychological findings, this cognitive dissonance will not simply result from the external shock, but from the failure of policy to handle that shock. As Marcussen explains,

“because knowledge structures are relatively stable and resistant to new and challenging ideas, it is reasonable to expect that policy-makers will take action in order to meet the shock and that it is the perceived failure of these actions that is decisive for cognitive adjustment. Shocks might be perceived to be serious, but if the policy-making community generally feels that its actions have been sufficient to meet the shock, then there is no need to rearrange any cognitive schemas whatsoever” (2000, 15).

Other scholars, such as Mark Blyth, place more emphasis on uncertainty (rather than policy failure *per se*) as a key condition leading to a significant role for ideas in policy making. Blyth argues that there are two types of uncertainty, but under one type, ideas play a much more important role. “Uncertainty as complexity,” is characterized by the problem of “assigning probabilities to outcomes given fixed interests” (Blyth 2002, 36). In other words, actors may have some sense of what they want to achieve and a range of choices is available to them. Uncertainty exists, however, because of the limits to, or
difficulty involved in, calculating which option is optimal (i.e., computational limits and information asymmetries are present).

On the other hand, there is “Knightian uncertainty,” which is different from the uncertainty created by complexity. In a state of Knightian uncertainty, the nature of the crisis at hand is unclear, and agents’ own interests and the outcomes of their actions cannot be determined. In this instance, ideas are given a bigger role. They diagnose the nature of the crisis, providing both a sense of what has gone wrong and what is to be done. And, in this way, ideas help supply agents with their interests (Blyth 2002, 9-10, 31).

Gofas and Hay have presented a number of challenges to the way the relationship between uncertainty and ideas is presented in the literature. Firstly, they question the periodic nature that many scholars ascribe to the condition of uncertainty and suggest that uncertainty is a “universal and timeless human condition” (2008, 37). Furthermore, they argue that, if uncertainty is a constant condition which leads to a greater role for ideas in the political process, “then we should expect ideas to matter all the time” (2008, 37). Yet, much of the literature suggests ideas matter at certain times more than others. Secondly, Gofas and Hay contend that the argumentation of many ideational scholars regarding uncertainty has been tautological. Because of the absence of a theory specifying the conditions under which uncertainty arises and is resolved, uncertainty, they argue, is only being “made visible to us by the failure of materialist accounts (and hence the need to import auxiliary ideational variables)” (2008, 14-15).

To some extent, Gofas and Hay’s challenge to reconcile the timeless nature of uncertainty with the apparent periodic importance of ideas, is addressed by Blyth’s
disaggregation of uncertainty into two types, with one type providing the environment for
ideas to take a larger role. In response to the need for a theory specifying the conditions
under which uncertainty arises and is resolved, many scholars would likely argue, as
Marcussen has, that because it is perceived policy failure (or perceived uncertainty, etc.),
“it is not a priori possible to determine in so-called objective terms how large or of what
type these shocks should be” (2000, 15).

For actors who use ideas to help justify or legitimize their policy positions,
uncertainty is not the key condition that it is for social learning. These agents need to
have enough certainty about their interests, and the problems and options before them to
determine which policy positions they want to legitimize. While policy failures may be
present, we would not expect actors to be in a state of Knightian uncertainty.

While the presence of uncertainty, or cognitive dissonance or the desire to
legitimize a particular policy position may help explain the increased motivation actors
have for seeking out new ideas, “we [also] need to know much more about the conditions
that lend force to one set of ideas rather than another in a particular historical setting”, as
suggested by Peter Hall (1989, 362 emphasis added).

Some scholars have argued that certain structural arrangements may affect the
flow of ideas, thereby affecting which ideas receive attention from those in power. Hall
has argued that the organization of the state can influence the degree of access policy-
makers have to certain ideas, as well as the kinds of authorities policy-makers are likely
to consult (Hall 1989, 370). He notes that the “permeability of the civil service” played a
key role in conditioning the receptiveness to Keynesian ideas (378). In some states, the
civil service had “a virtual monopoly on access to official economic information and to
the ultimate decision makers” (378). In other states, such as Sweden, the use of public commissions of inquiry and outside expert advice was a regular component of policy making that had the potential to increase the permeability to new ideas (378).

Another way state structures affect the transfer and acceptance of ideas is if the recruitment or promotion procedures for the civil service lead to a civil service biased towards certain ideas. For example, if the civil service is politically appointed, politicians may choose like-minded bureaucrats who seek out and accept ideas that conform to their own. Or, if recruitment guidelines or officials in charge of hiring select for certain qualifications (e.g., economics degrees), over time the civil service may be more inclined to accept certain ideas over others (Woods 1995, 171).

More typically, in discussing what lends force to one set of ideas rather than another, scholars have tended to refer to the importance of a “fit” between new ideas and the environment into which they enter (Hall 1989; Marcussen 2000; Finnemore and Sikkink 1998). In this way, the transfer and acceptance of ideas is not believed to be due to any inherent quality of an idea, but rather to how that idea relates to aspects of the environment in which it enters. As scholars have identified a broad range of factors affecting “fit,” the concept is perhaps more useful for its underscoring of the relational aspects of ideational transfer and acceptance than it is in predicting which factors will determine fit. Hall, for example, has elaborated on at least three dimensions of the concept, suggesting that ideas (specifically economic ideas) are judged on their economic, administrative and political viability (Hall 1989, 376). Yet in his description of each dimension, it becomes clear that a host of factors are at play in determining fit, including
socio-economic conditions, institutions, distributions of power, and existing values and beliefs.

In explaining economic viability, Hall refers to both economic structures and conditions, as well as the subjective goals and problems of the time. He argues that Keynesian ideas were “best suited” to, and therefore more warmly received in, countries with closed industrial economies, rigid labour markets and well developed financial systems (Hall 1989, 372). Yet he also notes that the reception of Keynesian ideas depended on the perceived capacity of those ideas to resolve current economic problems. As evidence, Keynesianism was taken up more readily in countries where unemployment, rather than inflation, was at the top of the political agenda (371). Thus the judging of the economic viability of Keynesian ideas depended as much on actors’ perceptions as it did on the material circumstances within a country.

Hall’s description of political and administrative viability also emphasizes that fit is as much about perception as it is about objective conditions. An idea is politically viable if, according to Hall, it has “some appeal in the broader political arena” but particularly among those to whom politicians are attempting to appeal (Hall 1989, 374). Administrative viability is affected by the long-standing biases and prevailing perceptions held by responsible officials about what the state is capable of implementing (Hall 1989, 374).

Further underscoring the point that fit is not determined by the inherent properties of an idea, but by the way that idea sits in relations to the environment into which it enters, is another argument from ideation scholars which holds that ideas are “ambiguous and far from immediately comprehensible” (Hall 1989, 370). As such, the judging of new
ideas is not a straightforward and mechanistic process. Some scholars have described it as a “collective translation process” (Czarniawska and Joerges 1996, 25), requiring the “interpretation” of incoming ideas (Hall 1989, 370; Sikkink 1991, 251); or as needing actors to actively construct the linkages between existing and incoming ideas (Sikkink and Finnemore 1998, 30).

In describing this process of interpretation, scholars have emphasized two points: the role of history in guiding that interpretation, and the contested and political nature of the process. On the first point, Peter Hall has argued that in interpreting the meaning of ideas “individuals tend to refer to an existing stock of knowledge that is generally conditioned by prior historical experience” (1989, 370). For example, due to their historical legacies, the term “planning” held very different connotations in the U.S. and France which affected how Keynesian ideas regarding economic planning were received (383). Kathryn Sikkink saw a similar pattern in Brazil and Argentina where the ideas of economic developmentalism took on different meanings and therefore had different levels of acceptance, despite the similarity of these ideas “on paper” (Sikkink 1991, 251).

In using the terms “translation” or “interpretation” to describe this process, an important aspect is underplayed, namely the political struggle that this process might involve. Mark Blyth also argues that ideas can take on new meanings in different localities. However, he describes this process as “inter-elite persuasion” (Blyth 1997). In this process, actors are neither engaged in a process of “powering” driven by predetermined and structurally given interests, but nor are they “puzzling” over a limited set of ideas to find one that works (1997, 761). Instead, agents whose interests are underdetermined due to high uncertainty, engage in a process of persuasion where they
argue over what a crisis means and how it should be resolved. As a result of this process of persuasion, the same idea can result in different policy outcomes in different places (761).

Policy failure, uncertainty and fit (and all the conditions that this refers to) make up the conditions in the broader environment that facilitate the transfer or acceptance of ideas. Within actors’ more immediate environments, such as OECD meetings or within the bureaucracy, are yet another set of conditions affecting transfer and acceptance.

Scholars emphasizing the social nature of learning and the social construction of knowledge have argued that the interactions individuals have with one another can deeply affect the learning process. When participants meet frequently or regularly, and when there is a “high density of interaction among participants,” the potential for learning increases (Checkel, 1999b, 549; also Nedergaard 2005, 29). Further, the efficacy of the learning process is believed to improve when meetings are insulated from direct political pressure, thereby allowing for the free and open exchange of views (Nedergaard 2005, 29; Checkel 1999b, 549). Similarly, when individuals engage in deliberative arguments rather than giving and receiving lectures and demands, they are more likely to learn (Checkel 2001, 563).

According to Martin Marcussen “internalization of norms as a result of interaction with other people” is a form of social learning called “socialization” because, in this process, individuals are inducted into an established group through the adoption of the group’s preferred beliefs, attitudes and conduct (Marcussen 2001, 21). In other words, “what is to being learnt is already practised by at least one other actor” (Flockhart 2004, 366). Such processes have been observed at the OECD. Marcussen has argued that at the
OECD, civil servants “develop personal and technical skills, and even sometimes develop their personalities and feelings of belonging,” through interactions that range from hard-nosed negotiations to simply “talking shop” (2004, 16). Drawing on a study of the OECD by Sjöstedt (1973), Marcussen further notes that during this process of learning, civil servants will begin by developing a common language; then they will use the same technical instruments and tools until, eventually, they employ the same kind of causal reasoning and even share a similar world view (2004, 18). As Sullivan found in his 50-year review of the OECD, “officials return to their capitals with an enhanced understanding of their colleagues’ thinking and with ideas that will find their way into national legislation or regulations” (1997, 98).

Overall, a broad range of conditions have been identified as shaping the transfer and acceptance process, from the presence of uncertainty and policy failure which motivate actors to seek out new ideas, to a host of conditions (e.g., socioeconomic conditions, structures of the state, distributions of power, currently held ideas and values) which help determine how an idea will be interpreted and whether it will be judged as having a good fit with present circumstances. In actors’ more immediate environments, the opportunity to meet frequently and to speak openly in a context where political pressure is minimized is believed to help facilitate learning and socialization.

2.2.1.3 Actors of Transfer and Acceptance

As ideas do not float freely, there is a need for understanding how actors, and the characteristics of actors, affect the process of transfer and acceptance. Agents not only
accept ideas and allow these ideas to guide their actions, they may also play a role in facilitating the acceptance of ideas by others.

As discussed, social learning is a key mode by which ideas move and become accepted, and therefore, the characteristics of actors that facilitate social learning matter for policy transfer and acceptance. According to Checkel, social learning is made more likely when an actor has few ingrained beliefs which are inconsistent with those of the “persuader” (Checkel 1999b, 550). Social learning is also facilitated when the persuader is “an authoritative member of the in-group to which the persuadee belongs” (Checkel 2001, 563). Given this, Checkel also suggests that among individuals with common professional backgrounds, social learning is more common (1999b, 549).

This suggestion that ingrained or pre-existing beliefs matter for social learning has been well documented in studies which examine how political agents, such as politicians and bureaucrats, make use of social science research. Carol Weiss and others have found that the single most significant factor determining the usefulness of a study for an agent is the perceived quality of that study, including its technical quality, objectivity and cogency (Weiss et al, 1980a: 250). A second factor determining the usefulness of a study for an agent is whether it conforms with the user’s expectations, that is, with his or her prior knowledge, values and beliefs. The less a study conforms to those beliefs and values, the more the perceived quality of the research matters when judging the study’s usefulness (Weiss et al, 1980a: 250-251). According to Weiss, this “user expectation” factor operates only at a personal level such that studies which contradict or challenge government policies, not personal values, can still be viewed as useful (Weiss et al, 1980a: 250-251).
Given the apparent importance of pre-existing values and beliefs (i.e., an actor’s predisposition), as well as professional affiliations, for facilitating the process of learning, identity is another dimension of actors that is worth exploring. Very little has been written about ideas and identity in the public policy literature. For example, only at the end of his 270 page book on economic ideas in the 20th century does Mark Blyth begin to speculate about why some ideas resurface in political debates decades after being discredited. He suggests that perhaps “in moments of crisis when agents are uncertain about their interests, they resort to repertoires of action that resonate with their core identities” (2001, 267).

In a tangentially related area of study, scholars are beginning to build a theoretical foundation that relates ideas to identities. Social constructivists within International Relations, many of whom take an interest in European integration and, therefore, nation-state identities, have been drawing on the findings of social psychology to build their theories. They argue that “social groups tend to define themselves on the basis of a set of ideas to which members can relate positively” (Marcussen et al 1999, 615). These ideas both help define how the group differs from other groups and what group members have in common with one another (1999, 615). Identities also “define the boundaries of what élites consider to be legitimate ideas – thereby constituting their perceived interests” (1999, 617).

According to social psychology theories, these identities are not likely to change frequently. Rather, new information about the world will either be integrated into the belief structure of the group (i.e., into the “cognitive schema”), so as to fit with the existing identity or it will be rejected (Marcussen et al 1999, 616). Yet, consistent with
the above discussion about social learning, these social constructivist scholars argue that a perceived crisis or policy failure can provide the conditions that open up the possibility for a change in identity (Marcussen et al 1999, 616). Also consistent with previous discussions about ideational “fit”, these same scholars argue that those new ideas likely to affect collective beliefs will be those that “resonate” with existing “identity constructions embedded in national institutions and political culture” (Marcussen 1999, 617; also see Checkel 1997; Soysal 1994). Thus, according to these scholars, identity can play an important role in how agents will react to new ideas.

Apart from judging and accepting ideas for themselves, actors also play a role in influencing others to take notice of and accept ideas. Scholars have found that, in a world where there are many ideas competing for the attention of policy-makers, one of the crucial variables determining an idea’s successful acceptance is whether or not it is “adopted by a person or group that is able to make others listen or render them receptive” (Berman 1998, 25). In case studies by Berman (1998) and Sikkink (1991), the work of influential leaders was instrumental in facilitating the acceptance of ideas. Berman’s case study of the Swedish Social Democratic Party showed how its leader, Hjalmar Branting, was able to win supporters for his vision and entrench particular ideas in the party philosophy because of his hard work, charisma, reputation and overall conciliatory and persuasive manner. Furthermore, he mentored the careers of like-minded individuals, further helping to entrench particular ideas in the party philosophy (Berman 1998, 26). In Sikkink’s study of economic policy in Argentina and Brazil, political leaders were instrumental because they brought individuals together in political coalitions where ideas served as the “glue” keeping the group together (1991, 244).
Other scholars have noted the reverse relationship, that is, how groups can influence the ideas that political leaders and policy-makers come to accept. According to Haas, in times of uncertainty, policy-makers will be looking for particular kinds of information, such as scientific and technical expertise which they themselves do not possess (1992). At such times, networks or communities of specialists with a “recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain,” – what Haas calls “epistemic communities” – will emerge and proliferate (1992, 3-4). If no policies previously exist or no institutions have been constructed to deal with a particular issue, or if policy-makers are simply unfamiliar with an issue, an epistemic community, according to Adler and Haas, can exert a great amount of influence by framing issues, setting standards and defining state interests (1992, 375, 381). Or, even if decision-makers are familiar with a particular issue, they may “call on an epistemic community whose ideas ‘implicitly align’ with their own preexisting political agenda” to help justify, flesh out, or promote policies that will further their agenda (Adler and Haas 1992, 381).

The notion of an epistemic community as it is currently conceived is not without its limitations, however. Scholars have argued that the concept assumes a group of experts are capable of reaching a consensus opinion which can then be articulated to policy-makers (Yee 1996, 88). The concept also seems to ignore the likelihood that multiple epistemic communities exist, and therefore, does not provide an explanation for how policy-makers choose which communities’ advice they will follow (Yee 1996, 88). Related to this, the source of a community’s authoritative claim to policy-relevant knowledge is assumed within the definition and why one community comes to be seen as
an authority and another is not is not fully explained (Haas 1992, 3).

In summary, there are a number of possible modes of transfer and acceptance including social learning, instrumental uses of ideas and external inducement. A broad range of conditions facilitates these modes: uncertainty and policy failure are key pre-conditions for social learning, and the level of fit between an idea and elements of the policy environment – both material and ideational – appears to affect whether one idea is accepted over another. Acceptance also depends on the outcomes of elite struggles over the interpretation of new ideas. In an actor’s more immediate environment, frequent and depoliticized interaction, allowing for the open exchange of ideas, can facilitate social learning.

Who transfers and accepts ideas is affected by whether or not pre-existing belief structures, including actors’ identities, make them more or less open to new ideas. Actors can also take a greater interest and come to accept certain ideas, if they are articulated by charismatic and persuasive leaders, or a network of experts who have an authoritative claim on knowledge in a particular policy area.

2.2.2 Impact of Ideas

Understanding the impact of ideas means understanding how changes in actors’ beliefs affect the policy process and therefore policy itself. It also requires an investigation into what enables and prevents actors from acting on their beliefs, or when they do act, what enables or prevents those actions from affecting the policy process.
As discussed earlier, a core assumption of most ideational research is that reality and actors’ perceptions of reality are not the same thing. Actors’ perceptions of the world will be affected by the ideas they hold (Berman 1998, 29-30). Ideas provide agents with a sense of what “is” or “could be” possible, by providing descriptions or theories of cause and effect (Campbell 1998); and ideas can take an often complex or ambiguous world and rendered it more easily understood and navigated (Woods 1995, 172).

Ideas also help actors determine their goals or preferences. As discussed above, actors’ interests are not separate from the ideas they hold, but informed by them; and thus a belief in a new idea can change how actors perceive their own interests (Blyth 2002, Berman 2001, Sikkink 1991). One way ideas shape an actor’s interest is by directing the actor’s attention during the process of decision-making. When agents are faced with too much information, ideas may structure and constrain actors’ causal reasoning, thereby biasing their calculations and shaping their preferences (Jacobs 2009, 253-254).

Thus, ideas help agents determine what “is” and what “ought to be” and sometimes they do both. For example, Mark Blyth has argued that ideas can be “blueprints” for new institutions (2001). In his study of economic ideas and institutional change in Sweden and the United States, Blyth found that

“none of these institutional solutions were determined by the ‘true’ nature of the crisis that each state ‘objectively’ faced. Instead, each solution was predicated on a particular notion as to ‘what went wrong’ and therefore ‘what has to be done.’ It is therefore only by reference to the ideas that agents use to interpret their situation that understanding the design of new institutions becomes possible” (Blyth 2002, 41).

On the other hand, rather than defining what “is” or “ought to be,” ideas may simply provide information that allows agents to more effectively pursue some given interest. Judith Goldstein and Robert Keohane, working within a rational choice
framework, have argued that ideas can be “road maps” (1993). In this function, ideas aid individuals in choosing a particular “route” or strategy that fits with their already determined interests. Since the logic of interest maximization alone does not necessarily lead an individual to only one particular political activity, ideas can play an important role in determining political actions (Goldstein 1993, 10). In summary, by providing actors with a new way to see the world, with new goals or interests, or new strategies to achieve pre-existing interests, ideas can play a key role in the policy process.

This change in individuals’ beliefs can have repercussions for the broader policy process. In particular, several scholars have highlighted how, when multiple actors come to accept an idea, collective action problems can be alleviated as new ideas function as “focal points” around which agents reorganize themselves into new coalitions. Sikkink, for example, has described how President Kubitschek of Brazil succeeded in building a coalition around the ideas of developmentalism (1991, 244).

The reality of course is that widespread acceptance of an idea may not occur. In which case, ideational scholars need to consider whether and how ideas might still matter in a policy process where actors’ behaviour is informed by different ideas about what is and what ought to be. Logic would suggest that if an idea is accepted by those with the power and resources to promote or put into action their beliefs, then that idea will stand a better chance of playing a significant role in the policy process. As Peter Hall has argued, the outcome of

“the movement from one paradigm to another … will depend, not only on the arguments of competing factions, but on their positional advantages within a broader institutional framework, on the ancillary resources they can command in the relevant conflicts, and on exogenous factors affecting the power of one set of actors to impose its paradigm over others” (Hall 1993, 280).
This suggestion that acceptance by powerful players contributes to ideational impact has potential implications for the degree of policy change we might expect ideas to help produce. If it is only those ideas accepted by actors in positions of power that matter, and actors are likely to accept ideas that are consistent with their pre-existing values and beliefs, as suggested earlier, then the role for ideas in significantly shifting policy may be limited.

Except, as Hall has argued, a paradigm shift is often preceded by a change in the locus of authority over policy (Hall 1993, 280). When anomalies accumulate which the current paradigm cannot explain and policy failures reduce actors’ confidence in current arrangements, according to Hall, actors with established authority over the failed policy will begin to lose their privileged position and a “contest” will ensue to determine which set of ideas will come to replace the old paradigm. This contest, argues Hall, “will end only when the supporters of a new paradigm secure positions of authority over policymaking” (1993, 280). Thus, the distribution of authority prior to the period of uncertainty may be less of a factor in determining which ideas will have an impact on policy.

Authority over policy is, however, only one dimension affecting which, or rather, whose ideas will come to shape the policy process, according to a vast literature on welfare state politics. The resources that actors can marshal and the institutions shaping the policy process will also play a role.

The welfare state literature, as discussed earlier in this chapter by way of a brief look at Pierson’s study of the Reagan and Thatcher reforms, has not tended to give ideas their due attention. Yet, this literature has given attention to the interests and beliefs of
actors and in particular the constraints and opportunities political agents face. Therefore, at this stage in the framework for analysis, this body of literature has relevance for understanding the impact that accepted ideas can have on the policy process.

One of the overarching themes of this literature is that attempts at policy reform will be affected by the way in which interests, power and accountability are distributed within the state and society, and in turn, how this distribution is deeply affected by the structure of institutions, including public policies and programs. Put another way, “one of the principal factors affecting policy at time-1 is policy at time-0” (Hall 1993, 277).

According to Pierson, “policies produce politics,” and one way they do this is by giving rise to their own constituency of supporters who may mobilize to resist changes to the existing program or policy (Pierson 1994, 29-30, 169). Whether this opposition is successful in shaping or preventing reforms will depend, according to some scholars, on the structures of power in the political system. If power is fragmented (vertically or horizontally), this may result in the existence of multiple veto players (i.e., actors whose agreement is necessary for making changes to the status quo). Where veto players are numerous or strong, radical change, particularly program retrenchment, is believed to be less likely (Starke 2006, 109; Bonoli 2001; Huber and Stephens 2001). Though, political systems which concentrate power also tend to concentrate accountability, which may make it difficult for governments to avoid the blame for unpopular reforms (Pierson 1994, 32-6; Pal and Weaver 2003). Therefore, while the concentration of power and accountability may help determine whether attempts at reform are successful, how much each will matter may vary from case to case.
Scholars have also suggested that political agents are not without the means to help them overcome institutional constraints that tend to favour the status quo. The literature on welfare state retrenchment has highlighted how governments can avoid or lessen the blame for unpopular reforms by compensating the potential “losers” of enacted reforms to gain their acceptance, lowering the visibility or traceability of reforms (i.e., “obfuscation”), or dividing the supporters of particular programs so as to weaken the opposition (Pierson 1994).

The literature on welfare state politics is vast and this brief description of some of its major themes and findings cannot do justice to its richness. However, the main implication for an analysis of ideational impact is that even when agents’ beliefs have changed, these agents will still be operating in an environment fundamentally conditioned by policies inherited from the past and constrained by historically constructed institutions. These institutions and policy structures influence the resources available to both reform advocates and opponents, and also the prospects for shaping viable political strategies.

In summary, the acceptance of ideas can shape how agents perceived what is, what ought to be, their preferences and interests, and what strategies might be useful for achieving their goals. In this way, ideas as beliefs can impact the policy-making process or policy itself. However, the impact may depend on how widespread acceptance has been, and if it has not been widespread, then it will depend on favourable arrangements of power, accountability and interests, as well as the strategies actors choose to implement so that their ideas stand a better chance of having an effect on policy.
2.3 Methodology and Case Selection

As mentioned earlier in this chapter, understanding the connection between ideas and policy-making outcomes requires a method that probes the mechanisms linking ideas with policy change. Process tracing is an ideal method for this kind of research (Berman 1998, 34; George 1979, 113; Yee 1996, 77):

“Process tracing breaks down complex chains of events into smaller pieces, and distant relations between antecedents and outcomes into more proximate cause-and-effect couplings. Causal processes are selectively decomposed further and further until the plausibility of the component cause-and-effect relationships is so high that further explanation is unwarranted” (Steinberg 2004, 6).

Process tracing opens up the “black box” of important components in the policy process. It involves “reconstructing actors’ motivations, as well as their definitions and evaluations of situations” (Berman 1998, 34). As outlined above, this thesis will examine multiple processes (i.e., transfer, acceptance and impact), and a complex array of interacting variables (e.g., conditions of uncertainty, actors’ predisposition, etc.). Process tracing is useful for handling and making sense of this complexity.

Process tracing implies that one will employ a small-N case study approach (Hall, 2003: 390-91). Since this kind of research puts a premium on detail and quality of data, there are limits to the number of cases one can examine. At the same time, multiple cases facilitate comparison. In this thesis, the ideas under study are held constant and some contextual factors are varied in order to understand which factors condition the transfer and acceptance of ideas, and mediate their impact (for research which employs such an approach see Bhatia and Coleman 2003; Hansen and King 2001; Sikkink 1991). Since real life provides a highly limited number of cases from which to choose, any comparison will only be an approximation of this comparative method.
Several considerations led to the choosing of the OECD *Jobs Study* and Canada, Denmark, and Sweden as cases. Firstly, ideational researchers have repeatedly found that the opportunity for ideas to play a key role in the policy process comes at times of policy failure and/or uncertainty. The *Jobs Study* was produced by the OECD in response to member states’ concern about very high unemployment levels (OECD 1992b). By choosing a time period potentially marked by great uncertainty, the likelihood that ideas will demonstrate their effects on the policy process is increased.

Secondly, as noted earlier, the OECD was chosen as a case study because it has few non-ideational rewards or punishments to dole out compared to other international organizations, thereby limiting the possibility that factors unrelated to ideas might explain policy transfer and acceptance.

Finally, to understand the impact of the OECD *Jobs Study* on domestic reforms, it was necessary to choose two or more countries which i) the *Jobs Study* recommended should make relatively substantial and roughly equal (in magnitude) reforms; ii) differed in their response to OECD recommendations, with at least one country implementing many of the recommendations and becoming more or less consistent with the OECD model, while at least one did not make many of the recommended changes; iii) varied in their structure of social and labour market programs and policies, and degree of labour market co-ordination; iv) had similar levels of trade openness.

Criteria one and two facilitate comparison by ensuring roughly comparable cases that proceeded along clearly different trajectories of reform. The third criterion takes into consideration the finding from previous research, discussed in the framework for analysis, that some of the main factors affecting the policy reform process include policies and
programs already in place, as well as structures of accountability and power. Allowing the cases to vary along these dimensions facilitates a richer study of how these factors condition the transfer and acceptance of ideas and mediate their impact. In other words, since the Jobs Study is primarily aimed at encouraging labour market policy reforms, by choosing cases that vary in terms of their labour market regulations and supports for the unemployed, we might see more clearly how past policies matter when these new ideas enter into domestic debates. Varying the degree of labour-market coordination (that is, the role played by social partners and governments in shaping labour market policies) would allow for the testing of how different configuration of power and authority over labour market issues affect the transfer, acceptance and impact of ideas.

The final criterion, trade openness, as measured by the trade-to-GDP ratio, attempts to minimize the confounding effects of international trade on labour markets and labour market policy. It is believed that countries with greater trade openness experience different kinds of pressure on their labour markets than countries that are less open. To keep their export sectors competitive, scholars have argued that countries with greater trade openness may be more inclined to keep social wages low (i.e., in-work benefits such as pensions, child care, parental leave, etc.) in order to keep total labour costs low, thereby, improving competitiveness and raising employment levels (Huber and Stephens 2001, 224). On the other hand, it has also been argued that greater openness to trade can put pressure on governments to offer compensation or insurance (i.e., generous unemployment benefits, work-related training, etc.) to those who are affected by the increased levels of market risk which trade openness can bring (Rodrik 1998; Garrett 1995, 1998). Greater trade openness can also reduce the effectiveness of demand
stimulation, since such measures may increase imports rather than stimulate domestic production (Huber and Stephens 2001, 224). Choosing countries with similar levels of openness, therefore, helps control for some of these pressures on labour market policy allowing the focus to remain more squarely on the role of ideas in shaping policy.

In 1999, approximately five years after the release of the Jobs Study, the OECD published Implementing the OECD Jobs Strategy: Assessing Performance and Policy, which contained, among other things, a summary of how many Jobs Study recommendations member countries received (i.e., coverage) and to what extent member countries followed-through on these recommendations (see Figures 2.0 and 2.1).

**Figure 2.0**

Coverage of OECD Jobs Study Recommendations, By Country

In percent

Source: OECD 1999b, 47
Using this, it was determined that Canada, Denmark and Sweden were well suited for this study. All three countries received similar numbers of recommendations from the Jobs Study, a number that was slightly above the average. Canada and Denmark followed through on many of the recommendations, and follow-through in Sweden was much weaker.

Specifically, the OECD translated the nine general recommendations of the 1994 Jobs Study into approximately 70 specific recommendations. Each member state’s “coverage of recommendations” was the proportion of specific recommendations applicable to them (OECD1999b, 45).\(^4\) As shown in Figure 2.0, the coverage of recommendations ranged from a high of about 72 percent for Germany, to a low of about 10 percent for the United States. Canada, Denmark and Sweden are comparable with a

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\(^4\) A subjective weighting scheme was used to take into account the relative importance of each recommendation.
coverage of about 35 to 38 per cent, placing them roughly in the middle of the OECD rankings by coverage.\(^5\)

To determine their follow-through, the OECD assigned scores for recommendations that were “followed,” “partly-followed,” “not pursued at all” and for policy reforms that moved in a direction opposite to what was recommended (1999b, 46). Reforms undertaken prior to the release of the *Jobs Study* were also taken into consideration (see Figure 2.1). In this evaluation, Canada and Denmark followed through on approximately 60 percent of their recommendations, while Sweden followed through on less than 30 percent.

These three cases also met the third criterion, namely that they vary in the structure of their social and labour market programs and degree of labour market coordination. Denmark and Sweden have a history of universal welfare state programs with relatively generous social benefits including those for the unemployed. Wage disparity is low, and taxes are higher than in most other OECD countries. Also, the vast majority of workers in Denmark and Sweden belong to a union, and the “social partners” (i.e., labour union and employer associations) play a significant role in the policy-making process. Of the three cases, Denmark and Sweden are therefore the most similar, which makes their difference in follow-through an interested puzzle to explore. Canada, on the other hand, has a more flexible labour market, and arguably is more similar to the model espoused by the OECD. In Canada, social benefits are less generous and wage disparity is higher than in Denmark and Sweden. Employment protection and spending on active labour market programs is lower than Sweden. Union density is low and labour unions and employers play a much reduced role in policy making compared to Denmark and

\(^5\) The average coverage, though difficult to estimate from the graph, appears to be about 33 percent.
Sweden. Similar levels of follow-through by Denmark and Canada, therefore, create a second puzzle requiring explanation.

All three countries, however, have high levels of openness to trade and therefore similar pressures from trade on their labour markets when compared with other countries such as Germany, France or Spain who in the early 1990s were relatively more closed and self-sufficient (OECD 2006a, 233).

2.4 Sources

Document analysis and interviews were the two primary methods of gathering data. Transcripts of parliamentary debates, committee reports, reports of public commissions, and other government documents, as well as publications from think tanks, academics and labour and employer associations provided insight into the ideas used in policy debates. As well, media sources, particularly print media were also consulted.

These public sources were supplemented with over 50 interviews designed to examine how actors perceived their familiarity with OECD ideas and the perceived usefulness of these ideas for their role in the policy process. Thus, interviews were held with key policy actors in all three countries, including civil servants, and members of union and employer associations. Further, to understand better what conditions facilitated transfer, actors who had attended meetings at the OECD or with OECD officials were specifically sought out, in additional to speaking with members of the OECD Secretariat and country missions to the OECD. Given what the literature has said about policy or issue experts playing a role in the transfer and acceptance process, interviews with think tank members and academics were also conducted. Appendix A list the interviews
conducted for the study.

2.5 Conclusion

Throughout this chapter it has been argued that studying the role of ideas in the policy-making process is possible and worthwhile. A change of ideas may not be the only factor explaining policy change, but it may be a necessary factor for a complete explanation. Through a method of process tracing, researchers can demonstrate that when new ideas become accepted by policy actors – shaping how agents understand the nature of policy problems, how they judge potential solutions and how they perceive their own interests and the strategies they should employ – this can have a significant impact on the policy process.

Overall, the framework for analysis is simple, encompassing three stages: the transfer, acceptance and impact of ideas. Yet, a potentially rich variety of factors may be at play in each stage. Policy learning, external inducement, and agents’ own desire to use ideas to pursue their interests, are believed to be the main modes of transfer and acceptance. A host of conditions may facilitate these modes; some in the broader political arena, some in actors’ immediate environments. Conditions such as uncertainty and policy failure are believed to help open up agents to accept new ideas, and the fit of an idea with the domestic environment is believed to help determine the acceptance of one idea over another, but the meaning of incoming ideas may need to be interpreted or negotiated first. In an actor’s more immediate environment, frequent and depoliticized interaction, allowing for the open exchange of ideas, can facilitate policy learning.
Pre-existing belief structures including agents’ identities make an agent more or less open to new ideas. Actors may also take a greater interest and come to accept certain ideas, if they are articulated by charismatic and persuasive leaders, or a network of experts who have an authoritative claim on knowledge in a particular policy area.

When actors accept new ideas this can shape how they perceive what is, what ought to be, their preferences and interests, and what strategies they use to achieve their goals. If a number of actors come to accept the same idea, this can help overcome problems of collective action. When beliefs are not widely shared, other factors may influence whose ideas impact policy and whose do not. Those with authority or power are better positioned to have their ideas taken up, but scholars have shown that during paradigm shifts, who is in authority can be contested and can change. Other welfare state literature has emphasized that the way in which power and accountability are distributed, as well as the strategies actors use to reduce backlash or increase support for reforms, can also affect whether or not a set of policy ideas can be successfully implemented.

Finally, this thesis has undertaken document analysis and interviews to uncover the rich data that was needed for a comparative case study approach using process tracing. The ideas of the OECD and their impact in the countries of Canada, Denmark and Sweden were chosen for several reasons. While Denmark and Sweden share similar labour market policies and institutions, their follow-through of OECD recommendations was different. Rather Denmark’s follow-through score was similar to Canada’s, a country where benefits for the unemployed are less generous and the role of labour in policy making is much more limited.
Chapter 3
The OECD

The OECD is unique among international organizations in several aspects of its function and structure. It produces hundreds of high quality policy-relevant publications every year, yet this is all, tangibly, that it produces. Unlike other international organizations, the members of the OECD do not, for the most part, negotiate treaties, administer loans or financial aid or carry out programs. The OECD is, as scholar Martin Marcussen has said, “playing the idea game” (2004). Given that member governments each provide several million Euros a year to the OECD, devote the time of their best civil servants and ministers to meetings in Paris and correspondence with the OECD Secretariat, and maintain permanent delegations in Paris, the OECD’s ideational role is something they apparently value. Due to the relative paucity of research on the OECD, however, its value and role still remain obscure.

This chapter examines that role, or rather the OECD’s multiple roles: as a central hub of international knowledge or idea exchange and policy learning; as a legitimator of policy ideas; and as a creator of “conventional wisdom.” How the structure and activities of the OECD help the organization fulfill these roles is the subject of this chapter. The chapter will examine the main bodies of the OECD, including the Council, the committees and delegates, the Secretariat, consultative bodies and consultants. While the focus in this chapter is on the organization as a whole, particular attention is given to
aspects of the organization that were active in the Jobs Study. The development of the Jobs Study is then analysed more closely in the following chapter.

3.1 The Members and Main Bodies of the OECD

The membership of the OECD is one of its unique features. Unlike the World Trade Organization (WTO), the International Monetary Fund (IMF), or the International Labour Organization (ILO), which each have over 140 members, the OECD has grown since 1961 to a relatively small group of 30 wealthy industrialized democracies (25 members at the time of the Jobs Study’s release in June of 1994). These 30 members include:

<table>
<thead>
<tr>
<th>Austria</th>
<th>Norway</th>
<th>Australia (1971)</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>Portugal</td>
<td>New Zealand (1973)</td>
</tr>
<tr>
<td>Canada</td>
<td>Spain</td>
<td>Mexico (1994)</td>
</tr>
<tr>
<td>Denmark</td>
<td>Sweden</td>
<td>Czech Republic (1995)</td>
</tr>
<tr>
<td>France</td>
<td>Switzerland</td>
<td>Hungary (1996)</td>
</tr>
<tr>
<td>Germany</td>
<td>Turkey</td>
<td>Korea (1996)</td>
</tr>
<tr>
<td>Greece</td>
<td>United Kingdom</td>
<td>Poland (1996)</td>
</tr>
<tr>
<td>Iceland</td>
<td>United States</td>
<td>Slovak Republic (2000)</td>
</tr>
<tr>
<td>Ireland</td>
<td>Italy (1962)</td>
<td>Chile (2010)</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Japan (1964)</td>
<td>Israel (2010)</td>
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As some of the most developed welfare states in the world who share a commitment to a market economy, democracy and respect for human rights, their broad similarity is a key feature that helps facilitate the exchange of ideas. The processes of social learning (or peer learning) and soft coercion (or peer pressure), manifested, for example, in the formal practice of peer review, are some of the main mechanisms operating at the OECD. These processes are made possible because OECD member states
are, in the international context, peers. As peers, the national policy experiences and insights of member states can be valuable to other member states facing similar policy challenges.

However, within this formal equality of status, of course, differences of power among the members have an impact on the activities and outcomes of the organization. The United States, which is the largest financial contributor to the OECD, providing a quarter of the organization’s budget, has been known to exert pressure for particular ends. This has included exerting pressure to bring Japan and Mexico into the OECD membership, to ensure the appointment of a Canadian, Donald Johnston, as Secretary-General in 1996 (Henry et al 2001, 8) and to narrow the scope of the OECD’s “Harmful Tax Competition” project (Webb 2004).

Without denying the importance of the differences that exist among the member states in terms of economic might and their relative financial contributions, it is not primarily these differences, however, that shape and characterize the OECD’s functions and roles. With a competent and qualified Secretariat, a vast number of delegates, connections that extend into civil society, the OECD’s roles and functions constitute more than the interactions of nation-states, particularly more than those interactions driven by power struggles. The OECD is an actor in its own right, connected to, but in important ways separate from, any one member state.

The main bodies that make-up the OECD are the Council, the committees and the Secretariat (see Figure 3.0 below).
Figure 3.0 Basic Structure of the OECD

- **Oversight and Strategic Direction**
  
  Representatives of Member States (e.g., Ambassadors to the OECD, Ministers or senior civil servants) make decisions by consensus.

- **Discussion & Implementation**
  
  Representatives of Member States work with OECD Secretariat on specific issues.

- **Analysis and Proposals**
  
  Made-up of 12 Directorates. Staff of 1900 is headed by the Secretary-General. Provides the basis for committee discussions.

- TUAC is the Trade Union Advisory Committee; BIAC is the Business and Industry Advisory Committee

The Council provides oversight and strategic direction for the whole organization.

In numerous committees, delegates to the OECD exchange and test ideas, and in some cases review each other’s policies. The Secretariat undertakes both research and administration, and lends support to the committees by providing data and analyses, produced in cooperation with member states and consultants. Interacting with these main bodies are two formal consultative bodies – the Trade Union Advisory Committee (TUAC) and the Business and Industry Advisory Committee (BIAC) – as well as hired
consultants. The following will look at each body, their roles, functions and participants, in more detail.

3.1.1 The Council

The OECD is governed from the Council which is made-up of one representative from every member state. At routine meetings of the Council, which occur approximately twice a month, member states are represented by their resident ambassador to the OECD. Once a year, ministers from member-state governments meet to discuss political matters of the organization. Foreign affairs, trade or finance ministers attend these special meetings of the Council accompanied by their advisors, although in previous years, labour, health and other ministers have also attended (Wolfe 2001). In both routine and ministerial meetings, all decisions are made by consensus (Noaksson and Jacobsson 2003, 14).

At each ministerial meeting a communiqué is drafted which comments upon the past work of the OECD, highlights common member state challenges, sets common goals and provides direction and approval for the OECD’s future work. It is here, for example, that the mandate for the creation of the Jobs Study was given in 1992 (OECD 1992b). Since 1976 these ministerial meetings have also preceded the annual G7/G8 summits which allows member states a more intensive preparation and analysis of the economic agenda (Wolfe 2001).

The OECD is, therefore, member-state controlled, which ensures that the work of the Secretariat and discussions in committees are timely and relevant for the vast majority of members. Yet, for any one member, ensuring that the OECD takes up a particular issue
of interest requires a great deal of political skill and diligence by that member state. Because the OECD is capable of gathering data and undertaking analysis on a scale that few countries can achieve alone, there are rewards to be gained by influencing that agenda (Wolfe 1993).

### 3.1.2 Committees

The Council and the nearly 200 committees of the OECD together make-up the so-called “political layer” of the organization because, each year, nearly 40,000 delegates from member-state capitals and national administrations participate in the 15-20 meetings that are held each working day (Marcussen 2004, 21; Vinde 1998, 18). This number includes the 600 persons who make-up the permanent delegations that member states keep in Paris and who repeatedly attended a significant number of meetings (Vinde 1998, 18).

The contribution of personnel provided by each government is critical and unlike other international organizations. Particularly when considered in relation to the size of the Secretariat, the vast number of delegates are a unique aspect of the OECD. A former head of the Economics and Statistics Department of the OECD, David Henderson, observed that if the World Bank had the same ratio of delegates to Secretariat staff as the OECD, its number of delegates would have to increase from less than 200 to 2,000 (Henderson 1993, 19). This difference stems from the fact that in the World Bank the main role of member governments

“is to guide and monitor operations for which both planning and execution are largely delegated to the agencies…In the case of the OECD, there are no lending programs to be planned, negotiated and managed. The operations of the
Organization, if one cares to use that term, are chiefly the committee meetings and the results, often if not usually intangible, that may flow from them…For me, the OECD is not just the Secretariat, with governments watching over it but standing apart: *it is the combination – the Secretariat in conjunction with the delegates from member governments*” (Henderson 1993, 19, emphasis in original).

Discussions in committees are based on analyses from the Secretariat, though member states also submit working papers for consideration. The committee members, in turn, provide feedback to the Secretariat. Most documents, therefore, pass through at least one committee and the Secretariat before publication.

The committee structure of the OECD is a hierarchy of multiple “lead” committees supported by what are typically called “working parties” or “working groups” which delve more deeply into particular issues. In the development of the labour market policy aspects of the *Jobs Study*, two groups of committees were key: the economic affairs committees and the education, employment, labour and social affairs committees. In the area of economic affairs (and working closely with the Economics Department of the Secretariat) are two committees and three working parties: the Economic and Development Review Committee (EDRC), the Economic Policy Committee (EPC), and Working Party No. 1 (WP1), Working Party No. 3 (WP3), and the Working Group on Short-Term Economic Prospects (STEP) (see Figure 3.1 below). Working closely with the Directorate for Education, Employment, Labour and Social Affairs (DEELSA) ⁶ is the Employment, Labour and Social Affairs Committee (ELSAC) and several working parties, including Employment; Migration; The Role of Women in the Economy; Employment and Unemployment Statistics; and Social Policy (see Figure 3.2 below). The

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⁶ The Directorate for Education split from DEELSA in 2002, so DEELSA became DELSA, the Directorate for Employment, Labour and Social Affairs. Given the time period under study, DEELSA will be used throughout this study.
role of the committees that played a key part in the development of the Jobs Study are worth examining further.

**Working Party No. 1**

WP1 meets twice a year for two-days and examines, in-depth, structural policy issues on behalf of the head economic affairs committee, the Economic Policy Committee (EPC) (Vinde 1998; Interview 19). Its delegates are typically senior civil servants (e.g., assistant deputy ministers or deputy permanent secretaries) from ministries of finance. Typically, WP1 discussions provide input on working papers by the Economics Department or drafts of the Economic Outlook, one of the OECD’s best-known...
publications, published twice-yearly, which analyses the major trends shaping the economic prospects in member countries and the economic policies needed for growth and stable prices. The work of the WP1 is also linked closely with the EDRC (described below). According to one member of the WP1, preliminary research or “framework papers” discussed at the WP1 are sometimes forwarded to the EDRC where they are used as the basis for special chapters in the country reviews, published as OECD Economic Surveys. Following the EDRC analysis, a synthesis of “lessons learned” is then forwarded to the WP1. Because the WP1 examines structural policy issues, topics can, and have, ranged from the environment, health care and an aging population. However, according to one member, “the whole period of 1993 until 1997 was extremely focused on labour market issues” (Interview 19).

**Economic and Development Review Committee (EDRC)**

The EDRC is at the core of the peer review process at the OECD. Approximately every 18 months, each country is “peer” reviewed and the results are published in the OECD’s Economic Survey series. As a result of this schedule, the EDRC meets approximately 25-30 times a year, and the regular committee members are drawn from member states’ permanent delegations to the OECD. These delegates are called economic or finance counsellors. Unlike the other officials in a country’s permanent delegation, these delegates are sent by member states’ finance departments, and are not drawn from their foreign service.

The content of the reviews has evolved over the years. Since about the mid-1980s, the surveys have examined both macroeconomic and structural issues (Bayne 2000).
Today, 80 percent of the *Economic Survey* is devoted to structural issues and 20 percent to macroeconomic matters (Vinde 2002, 67).

The EDRC also played a key role in the *Jobs Study*. After the nine broad and generic recommendations of the *Jobs Study* were published in 1994, these recommendations were tailored to the specific circumstances of each member state and, in the 1995-96 and 1996-97 series of *Economic Surveys*, members states were peer reviewed on their progress. This next section looks at the peer review process in some detail.

**Peer Review in the EDRC**

To the extent that “peer pressure” can have an effect on delegates’ thinking and behaviour, the EDRC meeting is a key site for learning about the transfer of OECD ideas. The peer review process involves more than meetings in Paris. Secretariat missions, or country visits, provide the opportunity for OECD staff to interact with key domestic actors such as civil servants, think tanks, labour union and employer organizations, and therefore are an important component in the wider dissemination of OECD ideas.

Like other committees, discussions in the EDRC are based on a draft report provided by the Secretariat, specifically the Country Studies Branch of the Economics Department (Marcussen 2004, 23). In the first stage of this process, typically the country desk will plan the topics to be covered in the *Survey*. In 1995 and 1996, however, when each *Survey* had a special chapter on *Implementing the Jobs Strategy*, a task force was created for the purpose of ensuring comparability between the recommendations given to all countries (Interview 2).
In order to gather the detailed country information that is needed for the report, the Secretariat sends a questionnaire to the relevant authorities in the country under review, thus involving a number of domestic civil servants in the process (Marcussen 2004, 24). Following the questionnaire, the Secretariat makes the first of two visits or “missions” to the country under review. The first mission, typically coordinated by one ministry within the member state (e.g., the Ministry of Finance) is called a “fact finding mission” (Interview 1). The members of the Secretariat will, over several days, usually meet with the central bank; economic, finance, and labour ministries; trade union and business representatives; and prominent think tanks (Interview 1). Meetings occur with deputy ministers, but, according to one OECD official, most of the substance of the mission is discussed at the working level, with office directors or economists from different branches of government (Interview 1).

Several months later, a second questionnaire will be sent and followed by a second mission. The character and purpose of the second mission have evolved since the mid-1990s (Interview 1). New technologies have made “fact finding” easier, and thus a second mission for this purpose was no longer necessary. The second mission therefore has become a shorter, higher profile mission occurring when the Secretariat already has a fairly clear idea of what the first draft of the report will look like (Interview 1). This mission is used to engage state secretaries, finance ministers, governors or deputy governors of central banks in specific policy issues and to have debate (Interview 1). A wrap-up session also occurs in which the Secretariat sets out to all who have been involved what they believe to be the main issues that will come out in the report. The government officials will then be given a chance to respond. The contents of the report, therefore, is supposed to come as no surprise when it is given to all member states to
review, which, according to one OECD official, helps maintain a good relationship between the OECD and member states (Interview 1).\footnote{The extent to which the second mission had undergone this evolution by 1995 and 1996 (when countries were reviewed on their \textit{Job Study} progress) is not entirely clear.}

Once a draft of the country survey is completed, the peer review process begins. The draft report is circulated on the Online Information Service (OLIS) of the OECD so that all permanent members can access it in advance. The economic counsellors from the country being examined and the country acting as an examiner will be accompanied by several more delegates from their own countries; these visiting delegates will typically be senior staff from the Ministry of Finance (Interview 1), but may also be civil servants with expertise in the policy area that is under review (e.g., labour market policy). On average, a delegation will consist of 10 to 14 persons, though this varies by country, and can range from four persons to thirty (Schäfer 2004; Interview 1). All other member states will be represented by their usual delegate who, as mentioned before, will typically be from the Ministry of Finance, and a member of the permanent delegation to the OECD.

In a 1998 OECD report on committee structures and functions, some concerns were raised regarding the composition of delegates to the EDRC. The report stated that “[w]hile the examinee and the examiners in general had representatives of the concerned sector participating [in the case of the \textit{Jobs Study} this would have been labour market experts], this was usually not the case for other Delegations. In the view of these critics, the quality and depth of the examinations were affected” (Vinde 1998, 55).

Typically, two countries will act as peer reviewers or examiners, and informal rules exist to determine who will examine whom. Usually a member state will not review
a state it has been reviewed by; a big and small country will usually be paired together as reviewers; and very similar countries will not examine one another (Noaksson and Jacobsson 2003, 25). Also, if possible, a non-European and a European country will act together as reviewers (Noaksson and Jacobsson 2003, 25).

The meeting begins with a statement by the country under review. Its delegation will give its opinion of the draft, point out any disagreements or mistakes, and generally defend the policy course chosen (Schäfer 2004). The two reviewers will have some sense already of the main objections for the country under review, and they will also have a “main issues note” that will have been given to them by the Secretariat (Interview 1). In their posing of questions to the member state under review, the reviewers will be indicating their opinion of the report (i.e., whether they agree with the Secretariat or not) and this will set the stage for other delegations to ask questions (Interview 1). There are typically two rounds of questioning (Interview 1). The tone of the discussion is “diplomatic” (Schäfer 2004) and more formal than the EDRC meetings when there is no peer review on the agenda (Noaksson and Jacobsson 2003, 27). According to Noaksson et al, small states are given the same amount of time to speak as bigger states, “but some statements in interviews point in the direction of an informal ranking system” (2003, 27). Smaller states need “strong integrity and intellectual resources” to have influence, according to an OECD official (Noaksson and Jacobsson 2003, 27).

The reviewing countries and other participating member states have an interest in how the final report appears. Some delegates may be motivated by a desire to see all countries held to a similar standard and will raise questions if this is not done (Interview 1). Other times a delegation’s remarks will be motivated by their ideological perspective or a belief that other countries should have policies similar to theirs (Interview 1). On the
other hand, delegations recognize that they in turn will face similar criticism and therefore will aim to have a point included or removed from the report of another country, if it is perceived to be in their interest (Interview 1). Generally, the reviewing countries recognize that all examiners in the peer review process will themselves be examined, and therefore, may show some restraint in their criticism and questioning of OECD members who have policies similar to their own (Interview 30). Overall, the main aim of the discussion is to settle on a redrafting of the survey that will be approved by all governments (Schäfer 2004).

In the next stage of the process, the redrafting process, the chair will produce a summary of the discussion, and this will be used as the basis for the redrafting of the Survey (Schäfer 2004). A meeting will occur between the Secretariat and the country under review to discuss any changes to the text. Discussion will primarily be about the first section of the Economic Survey, “Assessment and Recommendations” (Schäfer 2004). In principle, any significant changes to the text should have been raised in the EDRC committee meeting to ensure the draft reflects member state consensus and not just the outcome of bilateral negotiations between the Secretariat and the reviewed member state. This principle has in recent years been more and more upheld (Interview 1). In the end, every member state must approve the final draft (Interview 1).

The final stage is the dissemination of the report, which varies significantly by country. At one extreme, the release of the report may go largely unnoticed by the media and receive little attention or interest by government officials. At the other extreme, a government may hold a press conference with members of the OECD Secretariat attending and the report may make front page news.
**Employment, Labour and Social Affairs Committee (ELSAC)**

ELSAC meets approximately twice a year and is responsible for labour market and employment issues. Delegates are typically senior to middle rank civil servants who come from ministries involved in labour and social affairs (Vinde 1998, 102). Its key publication is the *Employment Outlook*, which provides an annual assessment of labour market developments and prospects in member countries (Vinde 1998, 102).

Along with other economic, labour and social affairs committees, ELSAC played a role in the *Jobs Study*, beginning in 1992 when ELSAC met at the ministerial level and expressed “their support for the development and assessment of a system of surveillance of labour market experience and policies” (OECD 1992c). This was one of the first indications of a growing momentum for the creation of the *Jobs Study*. After 1994, DEELSA, the directorate within the Secretariat that supports the employment, labour and social affairs committees, continued to produce studies under the *Jobs Study* title such as *Making Work Pay: Taxation, Benefits, Employment and Unemployment* which were discussed extensively in the labour and social affairs committees.
Delegates (Permanent and Non-Permanent)

Each member state has a delegation of permanent representatives in Paris, headed by an ambassador, as well as delegates who travel to Paris on an *ad hoc* basis to attend committee meetings. The work of the permanent delegation is essentially political or diplomatic in nature, rather than concerned with the technical aspects of policy discussions which are left, for the most part, to the “experts” from ministries such as
finance, industry and labour who attend as visiting delegates. Permanent delegates are recruited from the foreign civil service, though there are some exceptions. As mentioned, one member of the permanent delegation, the economic or finance counsellor is typically seconded from a member state’s ministry of finance to attend, primarily, the highly frequent meetings of the EDRC.

The main role of permanent delegates is to act as liaisons between the OECD and the government they represent and to ensure that the work of the Secretariat reflects their government’s priorities (Interview 9, 10). It is also the delegation’s responsibility to keep its government abreast of developments at the OECD. When new issues and projects arise at the OECD, it is the permanent delegation that seeks out civil servants in Copenhagen, Ottawa or Stockholm who are interested in following this work and attending meetings. At the same time, when policy issues arise in capitals, it is the permanent delegation which pushes forward new projects by promoting discussion and building alliances with other member states so that there will be agreement in the Council (Interview 10).

The permanent delegates have contacts in many ministries (both federal and provincial in the case of Canada) and, within ministries, a particular person or division will be charged with OECD relations. Given the multiple relationships between civil servants and the OECD, governments do attempt to create what is called “a whole-of-government view” on OECD issues through cross-ministry annual meetings (Vinde 2002). In most cases, the ambassador or other permanent delegates will take part in these discussions, typically led by foreign affairs (Vinde 2002).

In addition to keeping their governments informed of on-going developments at the OECD, the permanent delegation is also a player in disseminating the work of the OECD, providing policy analysis and advice to decision-makers based on the research
done at the OECD, as well as ensuring a coherent and coordinated approach among all delegates that come to OECD committee meetings (Canada 2005).

Like permanent delegates, visiting delegates also try to ensure that the priorities of their government are being met at the OECD and report back on their developments to their governments. Unlike permanent delegates however, visiting delegates are responsible for a defined policy field and thus the audience for their reports tends to be their superiors in one or two ministries back home.

### 3.1.3 The Secretariat

The Secretariat is the third main body of the OECD. It is comprised of roughly 1900 staff, 750 of which are researchers and analysts who primarily are economists, though scientists, legal and social policy experts and others are also present (OECD, *Staff Categories*; Noaksson and Jacobsson 2003, 15). They carry out research and analysis as requested by the members states, which provides the basis for discussion in committees and working groups as well as the content for roughly 350 publications a year (Wolfe 2001).

At the head of the Secretariat is the Secretary-General who, among other tasks, presides over the routine meetings of the Council. Jean-Claude Paye, a former civil servant from France, was Secretary-General during the conception and publication of the *Jobs Study*. Donald Johnston, a former Canadian cabinet minister, took over in 1996 when the follow-up of the *Jobs Study* was occurring.

In addition to several independent bodies and the purely administrative arms of the Secretariat, there are around a dozen directorates that carry out research and analysis
for the organization (see Figure 3.1). Of those directorates, at least four contributed to the “horizontal” unemployment project, the Jobs Study, including the Economics Department (ECO), the Statistics Directorate (STD), the Directorate for Science, Technology and Industry (STI), and the Directorate for Education, Employment, Labour and Social Affairs (DEELSA).

**Figure 3.3 Bodies of the OECD Secretariat (1994)**

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<th><strong>General Secretariat</strong></th>
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<tr>
<td>Secretary-General</td>
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<tr>
<td>Deputy &amp; Assistant Secretaries General</td>
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<td>Private Office of the Secretary General</td>
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<td>Advisory Unit to the Secretary-General</td>
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<td>Budget and Financial Service</td>
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<td>Centre for Co-operation with Economies in Transition</td>
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<td>Computers and Communications</td>
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<td>Financial Controller</td>
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<td>General Administration and Personnel</td>
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<td>Legal Directorate</td>
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<td>Publications Service</td>
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<th><strong>Directorates (Analytical)</strong></th>
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<tr>
<td>Development Co-operation Directorate</td>
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<td>Economics Department (included Statistics until 1993)</td>
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<td>Education, Employment, Labour and Social Affairs Directorate</td>
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<tr>
<td>Environment Directorate</td>
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<td>Financial, Fiscal and Enterprise Affairs Directorate</td>
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<td>Food, Agriculture and Fisheries Directorate</td>
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<td>Public Management Service</td>
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<td>Science, Technology and Industry Directorate</td>
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<td>Statistics Directorate</td>
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<td>Trade Directorate</td>
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Employees of the Secretariat must be citizens of an OECD member state, but there is no quota system for national representation. Employment is based on merit, i.e., qualifications and experience, and they are formally independent of their home country (Marcussen 2001, 4). As a result, the nationalities of staff are not in proportion to member states’ relative contribution to the OECD budget. Australia, Canada, Finland, France, Iceland, Ireland, and New Zealand are represented in numbers at least 2.5 times greater than their proportion of the OECD budget in the year 2000 (see Table 3.0). In fact most countries are over-represented including Denmark and Sweden.

Table 3.0 OECD Staff (A-grade\textsuperscript{11}) by Member State as a Percent of the Total

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Member state contributions to the annual budget of the OECD are based on a formula related to the size of each member's economy. With regards to the most senior officials within the Secretariat, however, there is a goal of geographic balance (Vin de 2002, 58). From 1986-2006, there have been three Directors or Deputy Directors (grade A6 or A7 employees) from Sweden (10.5 years of service), three from Denmark (16.6 years of service), and sixteen from Canada (71.41 years of service) (OECD 2006b, 18). There are also several ‘unclassified staff’ positions, such as Secretary-General, Deputy Secretaries-General and Assistant Secretaries-General. In this time, Sweden has held one, Canada one, and Denmark none (OECD 2006b, 18).

It is worth noting, however, that no Swede was employed in the Economics Department (the "powerhouse" of the OECD) in the 1980s and 90s (Vin de 2002, 59).

\textsuperscript{11} Grade A staff are professional staff made up of economists, policy analysts, senior administrators, including heads of divisions and deputy directors.
Some observers of the OECD have argued that the Secretariat is dominated by those from Anglo-Saxon countries (Dostal 2004, 446; Noaksson and Jacobsson 2003, 15). Indeed, Canada, Australia, and New Zealand are over represented given their relative financial contribution and the relative size of their economies (see Table 3.0). However, Table 3.0 does not provide evidence that the U.S. is over-represented; though, their absolute numbers are high: about 16-18 percent of staff are American. However, some scholars argue that the Anglo-American influence in the Secretariat is the result of more
than just large staff numbers. Jörg Michael Dostal has argued that a majority of staff have professional qualifications from Anglo-Saxon countries or are trained in neo-classical economics, a discipline heavily influenced by American scholars (2004, 446; Mahon, 2009 14).

At the same time, others have pointed to a number of counterbalancing forces to the American or Anglo-Saxon bias: unlike the World Bank or the IMF, the OECD headquarters is in Paris, not the U.S.; the majority of members are European and Europeans constitute the majority of staff; there are also strong connections between the European Commission and the OECD, including EU representation on many OECD committees and the Ministerial Council, as well as collaboration on various projects (Mahon and McBride 2009, 14). An Anglo-American dominance in the Secretariat is, therefore, far from clear.

3.1.4 Consultative Bodies and Consultants

3.1.4.1 Consultative Bodies

Two formal consultative bodies play a role in OECD activities: the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC). BIAC and TUAC are umbrella organizations for more than 35 major business organizations, and over 56 national trade union organizations, respectively, in the OECD countries (BIAC 2009; TUAC 2009). BIAC and TUAC’s main functions are to be a

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12 In Canada: the Canadian Chamber of Commerce. In Denmark: the Confederation of Danish Industries, and Danish Employers’ Confederation. In Sweden: the Confederation of Swedish Enterprise.
13 Canadian members: the Canadian Labour Congress (CLC) and Confédération des Syndicats Nationaux (CSN). In Denmark: the Danish Confederation of Trade Unions (LO), the Salaried Employees’ and Civil Servants’ Confederation (FTF), and the Danish Confederation of Professional Associations (AC). In
voice for their members and influence the OECD on their behalf, as well as keep their members abreast of OECD activities and publications. On the whole, BIAC and TUAC structure their operations and activities in similar ways. Both operate small secretariats in Paris of around five to ten persons (BIAC 2009; TUAC 2009). An executive board heads up BIAC and within TUAC formal decision making occurs in the Plenary Session which meets twice a year (BIAC 2009; TUAC 2009). Both are financed by their members or “affiliates” (Woodward 2009, 81).

BIAC and TUAC interact with all of the main bodies of the OECD including the Council, the Secretariat and the committees and delegates. Both meet regularly with the Council, and when the Council meets at the Ministerial Level, BIAC and TUAC will typically issue a written statement on behalf of its (TUAC 2009; Vinde 1998, 49). When OECD Labour Ministers met in 1997, for example, BIAC issued a statement that supported the recommendations of the OECD’s Jobs Study and “recommended further work at the OECD to effectively monitor the implementation of the recommendations,” and it encouraged “Ministers to spur an active implementation of the recommendations…” (BIAC 1997). As well, formal dialogue also takes place through the Liaison Committee (of the Council) with International Non-Governmental Organizations, chaired by the Secretary-General (Woodward 2009, 81).

Regular contact is also maintained with the OECD Secretariat. Formally, contact is maintained under the “Labour/Management Programme” which, on average, facilitates meetings with the Secretariat six times a year, twice with BIAC alone, twice with TUAC alone, and twice jointly. About 15-20 trade union and/or business representatives attend Sweden: the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Associations (SACO), and the Swedish Confederation of Professional Employees (TCO).
each time (Vinde 1998, 50). These meetings, which each cover a particular theme, serve “as a forum for pre-consultations between trade union and management experts on matters that eventually come up in the OECD's programme of work” (TUAC, 2006). For example, in 1998, a meeting organized under the programme brought together members of TUAC with the OECD’s bureau of the EDRC to discuss the OECD Jobs Strategy (OECD Labour/Management Programme 1998, 11). As well, BIAC and TUAC provide written and oral responses to OECD working papers in progress (BIAC, 2009). Scholar Richard Woodward has argued, however, that in fact, “most interactions between the OECD, TUAC and BIAC are mundane and technical in nature, with BIAC and TUAC pitching ideas to committees and working groups” (2009, 81). BIAC and TUAC representatives also participate in some OECD committees or working groups as active observers (TUAC, 2006).

In order to prepare for these meetings and forums of consultation, both BIAC and TUAC have their own committees or working groups which shadow the many activities of the OECD committees. BIAC, for example, has around 32 policy groups (BIAC 2009).\(^{14}\) BIAC has also engaged in surveying their members to gather information and solicit their opinions on key OECD issues (Interview 6).

Finally, BIAC and TUAC brief their members regularly about on-going and completed work at the OECD, so their members can put OECD ideas to use in domestic debates – a topic to be explored later in the case studies.

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\(^{14}\) It is not clear how many working groups TUAC has, but it too has a structure that shadows the OECD’s committees. TUAC has working groups on Economic Policy, Global Trade and Investment, and Education, Training and Labour Market Policy, in addition to a range of ad hoc meetings on specific areas being considered by the OECD (TUAC, 2006).
3.1.4.2 Consultants

While not a “main body” of the OECD, consultants are a key part of the OECD’s operations that are worth at least a brief mention. Consultants are academics or experts who undertake work on behalf of the Secretariat. The official number of consultants hired each year could not, unfortunately, be obtained, but even a quick perusal through OECD working papers and reports shows that these outsiders are a mainstay within the organization. A couple of consultants were members of the task force that researched and wrote the main documents of the Jobs Study (Interview 13). They also authored some of the follow-up Jobs Study reports (Interview 3). As we will see, the role of consultants is not only to bring in expertise, thereby strengthening the small but competent Secretariat; they are also one way the OECD creates a network that extends beyond governments and into civil society.

3.2 The Roles of the OECD

A number of scholars have theorized about the role and function of international organizations in the policy process, and a few have looked specifically at the OECD. Martin Marcussen has argued that the OECD is an “ideational artist,” an “ideational arbitrator” and an “ideational authority” (2004). Mahon and McBride have characterized the OECD as a “creator, purveyor and legitmator” of ideas (2009). Drawing on Archer’s framework (1994), Henry et al see the OECD as an instrument of policy, a policy-making arena, and a policy actor in its own right (2001). All see the OECD as having multiple roles. Three roles played by the OECD are important to this study and will be further explored in the rest of the thesis.
One role of the OECD, as described by many interviewees, is to be a venue for the exchange, testing and debate of ideas and experiences and, therefore, to be a place for policy learning (for example, Interview 7, 14, 16, 18, 19, 20, 30, 31). The OECD committees are particularly important in this process, though some more than others. The WP1, for example, has received consistently high praise from its former delegates for creating the right conditions for learning (Interview 17, 19, 31). Several qualities of the committee were highlighted as contributing factors, including the “free thinking” and “frank interaction” among its members (Interview 19). Several interviewees noted the depth and richness of the discussion, as well as its less-politicized nature:

“I was on various OECD committees. I was on the Development Aid Committee, and the Trade Committee and on some working parties as well. I must say that WP1 was really the best of them all, because there was some sort of intellectual exchange” (Interview 31).

“It is very high quality. You will not find anywhere else in international organizations where they deal with structural policies at that level. The IMF is very advanced on macro policies and financial markets but they don’t have the same expertise on structural issues. The [EU] Commission has quite a lot of expertise on structural issues, but it is much more oriented towards immediate policy advice and preparing political discussion” (Interview 19).

The quality of the delegates attending the WP1 was another factor highlighted by interviewees. One former delegate argued that the WP1 typically had higher calibre delegates than some other committees like the EDRC (Interview 17). For one Swedish delegate, the committee offered interactions that he could not get domestically:

“The WP1 was important because you met colleagues in positions and involved in problems much like your own. In the domestic scene, there was no one who was working on issues like mine, so it was great to get to Paris and meet [my Danish counterpart] and the others” (Interview 31).

Few delegates spoke about the EDRC, another key economic committee, in the same way. The two venues are, of course, very different. As described above, the EDRC
is characterized by peer review, which entails the crafting of critical comments and detailed recommendations, and the need for consensus among its members. The WP1, on the other hand, is not governed by formal peer review, nor is consensus always necessary. This difference, among other conditions mentioned by interviewees, may help explain why the WP1 appears to provide a more suitable environment for policy learning. Indeed, scholars have suggested that a high level of interaction, the opportunity for deliberative arguments, and less politicized environments – which a lack of peer review would help engender – are central to facilitating learning (Checkel 2001, 563; Checkel 1999b, 549). Scholars also believe that learning is abetted when one is being persuaded by a member of ones’ in-group (Checkel 2001, 563; Checkel 1999b, 549). The finding that several WP1 delegates felt collegiality, or at least high regard for other members, also helps explain why this venue facilitates the exchange of ideas.

A second role played by the OECD is as an instrument in the domestic policy process. Delegates occasionally use the OECD to get international backing for their own policy ideas, in the hopes that getting an OECD endorsement will give those ideas more traction at home (for example, Interview 11, 14, 15, 16, 20). Martin Marcussen has called this movement of ideas to and from the OECD the “boomerang hypothesis” (2002, 208). One delegate described the process like this:

“What we’re doing is actually pushing ideas that will help us at home to implement what is right to implement from an expert point of view….ministers get tired of hearing it from their own officials, so [this way] they hear it from a different source….” (Interview 14).

OECD delegates attempt to exploit the OECD in this way because they believe the OECD has some pull with the domestic actors they are trying to convince (Interview 14, 15).
The EDRC is one place where this instrumental use of the OECD appears to occur with some regularity. One might assume that civil servants are always looking to shield their government from criticism. Yet, interviews with the Secretariat and member country delegates reveal that civil servants may sometimes appreciate a clear and strong policy recommendation from the OECD on a particular issue, if it is believed that a recommendation would help move policy in a direction they would like to see it go (Interview 1, 11, 15).

The EDRC country visits are also used instrumentally in domestic bureaucratic battles. For the most part, government officials will speak with one voice when the OECD visits. On occasion, however, the diversity of views within governments may make themselves known to the OECD. In some cases, finance or economic ministries may use the OECD as a vehicle for exerting pressure on the so-called “pending” ministries, particularly in countries where there is a coalition government. These different views within governments are usually revealed “off-the-record” to OECD officials (Interview 1).

Finally, the OECD can also be used instrumentally when domestic actors get the OECD to take on policy analysis on their behalf:

“A senior official with a long, and positive, experience of the OECD observed that it takes a lot of work to pay attention to the Secretariat, to feed ideas in before a paper comes out. But for a small open economy like Canada, if we put in the effort we will get a lot more back….Leadership takes effort, and homework. OECD is a place where we can put Canadian ideas forward. And when we are skillful, we can get the OECD to do our research for us” (Wolfe 1993, 87).

Further illustrations of both learning and instrumental uses of the OECD will be presented in the case studies.
A third and final major role or function of the OECD is as an “independent” actor, connected to and relying on its member states, but distinct from the governments that control it. In this role, the OECD takes information supplied by governments and provides a “value-added” product or service (Interview 8). Interviewees find OECD analyses useful because most countries, particularly small- to medium-sized countries like Canada, Denmark and Sweden, cannot produce such analyses themselves; the cross-country comparative data needed is too difficult or too costly for most countries to obtain (Interview 7, 8). Yet, without this comparative information, interviewees say member states cannot accurately gauge their progress against that of their peers, learn from others’ successes and failures, or work with them to find “best practices” or create benchmarks (Interview 7, 8).

More than providing value-added products and services though, the OECD, in its independent role, is also a “international mediator of knowledge” engaged in a process of ideational “brokering” (Henry et al 2001, 57). In this way, it is a “creator” or “artist” of ideas (Mahon and McBride 2009, 49; Marcussen 2004, 16). A former Chair of the Education Committee explains this role well:

“The multilateral nature of the organization gives it credibility and authority as well as making it one step removed from individual governments. This gives it important degrees of independence which it can use to promote ideas which may be at variance with the policies of some governments” (Henry et al 2001, 41 quoting Ruby 1997, 12).

The OECD’s Secretariat plays a key part in the OECD’s role as an international mediator of ideas. Interviews with individuals who have a history of experience with the OECD, as either permanent delegates or nationally-based civil servants, reveal that many perceive the OECD Secretariat in a positive light (Interview 7, 8, 14, 15, 19, 28, 31).
These favourable comments related both to the quality of the Secretariat staff and the quality of their work. For example, interviewees spoke of the “many good researchers within the OECD” (Interview 28) and argued that “the professional standard of the OECD Secretariat was much higher than the EU’s” (Interview 31).

But what is the nature of these ideas that the OECD “creates?” As will be explored further by examining the *Jobs Study* (see chapter 4), these are not entirely “new” ideas; rather they are the consensus or conventional wisdom of its members:

“The activities of the OECD are geared towards building some form of conventional wisdom –that’s the expression that comes to mind every time I think about the OECD. The new ideas or provoking ideas do not necessarily come from the OECD. They may come from scholarship, from isolated academics, from thinkers that are well known in their fields. What the OECD does: it will take account of that; it will evaluate. But in the end, they are not the ones that come up with new solutions or ideas, they are filtering them. The process transforms these ideas into conventional wisdom or rejects them (Interview 14).

As a creator of the “conventional wisdom,” the OECD tends “to reflect the tenor of the times” (Mahon and McBride 2009, 15). For we will see in the next chapter, the OECD has shifted with the changing trends in mainstream economics, moving, for example, from a Keynesian to a supply-side approach to economics in the 1970s.

Yet, at any one time, differences do exist between OECD countries in terms of their economic approaches, their policies and their politics; thus the OECD must work carefully to find consensus and craft documents accordingly. Doing this and also remaining relevant and useful to all members is a challenge, as interviews indicate. For example, complaints have been lodged that the OECD provides prescriptions which are too cookie-cutter or “one size fits all” (see TUAC 1997). A Canadian delegate found that because of the decentralized federal nature of policy in Canada, Canadian civil servants had fewer opportunities to draw policy lessons from other member states (Interview 11).
A Swedish delegate described feeling marginalized in the OECD’s labour and social affairs committee:

“Sweden is a small country and we don’t have much power in the OECD. Now, I compare that with the EU. Within the labour market policy area, Sweden has been one of the countries that has come up with many ideas and has been very active. That’s the difference I think. At the OECD, we go there and listen, but we don’t feel part of the family” (Interview 28).

Furthermore, finding consensus is made even more difficult because divergent views also exist within the OECD’s Secretariat. Like ministries in member state governments, there are competing interests within the Secretariat, and staff may not see eye-to-eye on some issues (Interview 11). Tensions between the Economics Department and DEELSA have been noted by scholars (see Jackson 2009; Noaksson and Jacobsson 2003) and interviewees (Interview 11, 31, 38). One interviewee recalled a time when, over the course of three months or so, two very different perspectives came from DEELSA and the Economics Department, and were published in the Employment Outlook and the Economic Outlook, respectively. It was “awkward,” he said, because the OECD does not like to be seen doing this (Interview 11).

While, for at least one interviewee, the difference of perspectives within the OECD Secretariat does not matter (e.g., “My impression of OECD economists is that they are all homogenous” (Interview 35)), for others, the difference has implication for how the Secretariat is perceived. One Finance civil servant and OECD delegate found that, “especially the economics people at the OECD were very good. ELSA [that is DEELSA] had a reputation of being more do-gooders. A bit wishy-washy in their analysis. But the economics people did fine work” (Interview 31). On the other hand, a senior trade union official recalled that TUAC and its affiliated unions had good relations with some of the
more like-minded economists in DEELSA; and they gladly exchange reports and other kinds of information (Interview 38).

What is noticeable in these statements from interviewees, and in many others, is a tendency for domestic agents to turn to that part of the OECD they see as “likeminded.” According to one OECD official, when OECD economists go on country visits and are meeting with other economists, this can engender a sense of “fraternity” regardless of the government department the member state economists represent (Interview 1). As will be seen in the case studies, an actor’s openness to OECD ideas, and preference for particular parts of the OECD, appear to emerge along – and perhaps not surprisingly - professional and/or ideological lines. Civil servants in labour departments and staff in labour union organizations tend to have a more positive view of DEELSA, if they have a positive view of the OECD at all; while academic economists, business groups and finance civil servants tend to favour the analyses of the Economics Department. All of which suggests that actors’ predispositions, whether professional or ideological, matter for where they source new information, and who they see as an expert. This has many implications for the role ideas play in the policy process, which will be explored later. It also has implication for the role of the OECD more specifically, for this suggests a further limit to how much the OECD can provide policy agents with new ideas and policy directions. The interviews for this study suggest that quite often the OECD is speaking to and providing fodder for debate to those who already know what policy direction they want to take.
3.3 Conclusion

This chapter has illustrated and emphasized the OECD as a network for the exchange of ideas, as an instrument used by delegates in order to advance their own ideas, and as a creator of the “conventional wisdom.” It is thus a complex organization with ideas moving out and in, being filtered and repackaged along the way. And while the three case studies will further explore the transfer of ideas between this international organization and the domestic arena, this chapter has already unveiled a number of dynamics which should be of interest to those wanting to understand the domestic policy process better.

The OECD is in some ways like a think tank, or other policy-oriented research institute, which gathers statistics, ideas from academia, provides additional analysis (such as applying ideas to individual member states) and packages it all in a way that is accessible to civil servants, politicians, the media and others actors in the policy process. Yet, with hundreds of meetings a year, the OECD also provides a venue that few think tanks can, which allows for sustained interaction, among sometimes like-minded actors, in conditions that allow for the kind of open discussion that leads to policy learning. Further setting the OECD apart is that it is an intergovernmental organization. As such, its endorsements and analyses hold credibility that domestic think tanks are not often in a positioned to provide. Therefore, civil servants and others are able to use the OECD instrumentally to help advance their domestic agenda.

In the early 1990s, when unemployment was very high in OECD member states, countries were looking for a way to exchange experience and ideas, and determine best practices for fighting unemployment. It is perhaps not surprising, given it structures and
functions, that the OECD was called upon by its member states to investigate the issue.

The OECD responded with the *Jobs Study*, the topic of chapter 4.
Chapter 4
THE OECD JOBS STUDY

The Jobs Study was arguably one of the OECD’s largest undertakings in the 1990s, and certainly notable for its interdisciplinary or “horizontal” nature (Noaksson and Jacobsson 2003, 15). Scholars have characterized the Jobs Study as “pioneering work” (Noaksson and Jacobsson 2003, 16), “The most influential and most quoted source” on active labour market policies and passive benefits in that era (Sinfield 2001, 211), and a key part of the OECD’s role as “Undoubtedly the most influential advocate of the labour market flexibility solution” to unemployment (Howell 2005, 6). At the very least, “The function of the Jobs Study has been to provide a long-term platform for the OECD’s work with regard to welfare and labour market policies” (Dostal 2004, 448).

This chapter looks more closely at the Jobs Study: its origins and historical context, how and why it was created and the ideas it contained. By closely examining this case, we are able to see more clearly how the OECD operates, how OECD ideas are constructed and diffused, and how member states and other actors play a role in those processes.

4.1 The Evolution of Labour Market Policy Ideas in the OECD

When the mandate to proceed with the Jobs Study was given at the 1992 Ministerial Council Meeting (OECD 1992b), unemployment was unusually high in most OECD countries, and for some countries it was the worst it had been for 50 years. The impetus for the study was clearly this severity and prevalence of high unemployment; but
its contents was actually the culmination of analyses that have been developing in the 
OECD over the previous decade, or even longer. Furthermore, after the publishing of the 
1994 Jobs Study report, work continued along the same vein and under the same or 
similar title (Jobs Strategy). So while this chapter and much of this thesis refer to the 
influence of the Jobs Study, to be more precise, it is the ideas within the study, with 
longer histories than the 1994 report, that are of interest in this thesis.

A concept like “active labour market policies,” which has a prominent place in the 
1994 Jobs Study, has actually come in and out of use over time, taking on new meaning 
and significance depending on the context. In the early 1960s, the directorate called 
Manpower and Social Affairs, later known as DEELSA, was a proponent of “active 
manpower policies” (OECD 1990b, 13). The “active” part of the term had been borrowed, 
some argue, from the Swedes who were employing active labour market policies “to 
improve the trade-off between inflation and unemployment by stabilizing employment 
during the cyclical downswing and by removing labour-market bottlenecks during the up-
swing” (OECD 1990b, 11). The word “manpower” was borrowed from policy debates in 
the United States, where, by the early 1960s, public sector job creation and training 
measures were being introduced to get disadvantaged groups back into the labour force 
(OECD 1990b, 14). The OECD, in its use of the blended concept of “active manpower 
policies,” added a third possible objective for this group of policies: “to foster economic 
growth through human resource development” (OECD 1990b, 14). In 1964, the Council 
recommended that the OECD request member states to examine and report back on 
national manpower policies (OECD 1990b, 11, 14).

Until the mid-1970s, OECD work was guided by the Keynesian economic model 
(Mahon 2005; Marcussen 2001; Sullivan 1997, 7), and therefore, to the extent that labour
market policy was coordinated with macroeconomic policy, labour market policies in the 1960s reflected this model’s aim for full employment. When, in the early 1970s, inflation began to rise rapidly in OECD countries, the orientation of the OECD began to change. The seminal OECD Secretariat report of 1970 called “Inflation: The Present Problem” was the first sign of a shift at the OECD from Keynesian to supply-side economics (Marcussen 2001, 6). The report argued that “there is still too great a tendency to think in terms of protecting production and employment regardless of costs and prices” (OECD 1970, 9).

The two oil shocks of the 1970s and the gradual move to supply-side economics, “changed the thrust of labour market policies quite substantially” (OECD 1990b, 15). At first, OECD countries hoped the recession of the 1970s would soon pass and they used labour market policies to keep people employed either in their current jobs through employment subsidies or in temporary work in the public sector (OECD 1990b, 15). As the recession continued, however, new schemes were added to create jobs in the private sector or support local authorities in developing initiatives that responded to local needs (OECD 1990b, 15).

The 1976 “A General Employment and Manpower Policy” adopted by labour ministers, as well as the 1977 “McCracken Report”15 written by independent experts for the OECD, both cemented the new preoccupation with inflation and cautioned that the scope of employment programs should not be too large for fear of inflationary effects. From this time and throughout the 1980s, the OECD urged “micro-economic reforms ranging from positive adjustment policies, to the need for structural adaptation, to flexibility in product and factor markets and to structural surveillance” (OECD 1990b, 15).

15 Otherwise known as Towards Full Employment and Price Stability.
In other words, a broad “structural adjustment” or “structural reform” agenda dominated the 1980s. This agenda aimed to move policies in a more market-oriented direction “through privatization, deregulations, tax reform, the abolition of exchange controls, and the liberalization of direct foreign investment” (Henderson 1993, 28).

Under the weight of high unemployment, the philosophical underpinning of OECD conventional wisdom were shifting. In the document *Labour Market Policies for the 1990s*, which recapitulates the history of ideas on labour market policies at the OECD over the decades, there are indications that the structural adjustment debate of the 1980s shifted the focus of the labour market policy debate towards the *economic* and away from the *social* or *equity* implications of policy. As one interviewee said, the OECD approach at the time focused on the efficient functioning of labour markets *qua* markets to the exclusion of considerations about the quality of employment and the needs of individuals (Interview 4). Others have characterized the OECD’s approach at this time as “neoliberal” (Deacon et al 1997; Mahon 2005; Walters 2000). Despite attempts by the OECD’s Manpower and Social Affairs Committee to “strengthen the social side of this debate,” “the deregulations suggested [in the 1980s] implied a serious attack on achieved social standards” (OECD 1990b, 16-17).

For some, the 1990s began with the hope that the OECD would change this “neoliberal” approach and its policy recommendations. The Manpower and Social Affairs Committee placed a particular interest in what they called “labour supply policies”:

[This committee] has over the years adopted a pragmatic stance and has attempted to steer a middle course between competing claims for change and for maintaining certain achievements, thus trying to reconcile economic efficiency with social equity. More recently, this has brought labour supply policies such as training, job-search and placement measures back to the centre of the Committee’s deliberations. These policies are, of course, not new. But their capacity to meet
efficiency and equity objectives simultaneously make them particularly attractive under the present circumstances (OECD 1990b, 17).

As well, the newly appointed Director of DEELSA at that time, Tom Alexander, was “concerned not simply to repeat the ‘welfare as a burden’ liturgy” which held that social policies were obstacles to economic growth (Deacon 1997, 71; Deacon and Kaasch 2009, 228).

As shall be further explored in this chapter, the tension around the OECD’s approach to unemployment and labour market policy was not resolved; and so it was in this context that the Jobs Study was created and developed.

4.2 The Origins of the Jobs Study

In interviews with those close to the Jobs Study, no single factor led to its development, but rather multiple, somewhat competing motivations existed. As will be described, these tensions were manifested in an ideational divide between the macroeconomists of the Economics Department and the microeconomists of DEELSA, but also reflected in the differing orientation of member states.

According to one senior official in the OECD, the idea for a large-scale study on unemployment began with the Secretary-General, Jean-Claude Paye, who, as early as 1986 foresaw unemployment becoming a serious problem (Interview 5). Prior to the Jobs Study, labour market policy making in many OECD countries, in this official’s opinion, suffered because it was insufficiently informed by macroeconomics. Particularly in continental European countries, labour market policy was being made by those with a legal, rather than economic background or training. As a result, policy-makers were, in this interviewee’s opinion, attempting to legislate labour market change without fully
considering economic laws and the impact of their legislation on the overall economy (Interview 5). Furthermore, according to this official, the same lack of consideration for the macroeconomic implications of labour market policy was present in employment, labour and social affairs committees, and tensions, as discussed above, existed between micro- and macro-economists of the Secretariat, which were roughly positioned in DEELSA and the Economics Department, respectively (Interview 5).

Thus, the Jobs Study was one step in a series of events with the purpose of bringing macroeconomics to bear on microeconomic policy analysis at the OECD. A first step in that direction was taken in the late 1980s with the transfer of a senior staff member from the OECD’s Economics Department to DEELSA with the intent to introduce more “economic” analysis into its committees (Interview 5). As well, the Deputy Director of DEELSA in the early 1990s (the years of the Jobs Study) arrived in that position after years in the Economics Department. Finally, the Jobs Study itself was created as a “horizontal project,” which required different directorates to work together, including Economics and DEELSA.

An account by another senior official at the OECD, describes the origins of the Jobs Study differently. This official argued that it was the smaller, “socialist” member states, particularly Austria, which pushed for the Jobs Study (Interview 4). The interest of these member states in the study was characterized by this interviewee as part of a more general attempt, as described above, to soften the structural adjustment agenda that dominated the OECD in the 1980s. These countries saw the Jobs Study as a opportunity to insert into the unemployment debate concerns for the quality of jobs and the social security aspects of labour market policies. As partial evidence of this account, the only countries that sent their own staff to the OECD to help in the development of the study
(i.e., paid the wages of these administrators through their own domestic departmental budgets) were Canada, Austria and Finland (OECD 1993c, 54). Further evidence that the Jobs Study was an attempt to soften the 1980s structural adjustment agenda, is this description from a 50-year retrospective on the OECD:

[Secretary-General of the OECD] Paye recalled his dozen years at the OECD as a period in which both the promise and the perils of globalisation became apparent. His own main concern was to try to blunt the impact of rapid structural adjustment on individual citizens. Several member countries refused to listen to his warnings. As a result, the OECD’s trail-blazing Jobs Study was delayed until 1994; Paye would have liked to see it appear several years earlier” (Sullivan 1997, 57).

Thus, the story of the origins of the Jobs Study is one of competing visions for the direction of labour market policy advice within the OECD. As the next sections will illustrate, those visions continued to compete in the development and follow-up stages of the study.

4.3 Producing the Jobs Study

After the mandate was given in 1992 by the OECD Council, a steering group and task force were formed to handle the work of the Jobs Study. The Steering Group was officially headed by the Secretary-General, though actual responsibility rested with an individual from his cabinet (Noaksson and Jacobsson 2003, 15). This group was made up of senior officials, such as Deputy Directors, from each of the departments that were involved in the study: the Economics Department; DEELSA; Directorate for Science, Technology and Industry (STI); Directorate for Financial and Enterprise Affairs (DAF); and Statistics Directorate (STD). Though members of the Steering Group were chosen, in part, for their ability to think and work across departments, it proved to be an
intellectually challenging experience, according to one member of the Steering Group (Interview 5).

A Task Force was also formed, consisting of permanent staff from the participating directorates, as well as three administrators from the member states, as mentioned above, and “intermittent consultants” (OECD 1993c, 54). This Task Force was struck “[i]n order to co-ordinate the work and to undertake research of its own “ (OECD 1993c, 54). The twelve persons who made up the Task Force were housed in an annex, away from the routine work of the OECD (Noaksson and Jacobsson 2003, 15-16). Peter Schwanse, head of the Labour Market Division of DEELSA at the time, was in charge of the Task Force (Noaksson and Jacobsson 2003, 16). In addition to contributing to the Jobs Study itself, the research of this group was later published in a series of OECD Working Papers (see Appendix A).

The regular work of directorates and their committees and working groups also contributed to the Jobs Study. The Economics Directorate, for example, prepared notes on a country-by-country basis on the causes, key problems and recommendations regarding unemployment, which was then given to the EDRC and later revised and given to WP1 for feedback (OECD 1993c, 54).

There was also a series of international conferences hosted by member countries, during the two years the Jobs Study was being written. Topics included: technology, innovation policy and employment; small- and medium-sized enterprises and employment creation; investment and employment; and human resource development (OECD 1993c, 54).

Member states were consulted through a special committee that convened twice to discuss the drafting of the report. According to OECD evaluations, the convening of this
group “was a rather cumbersome task as national delegations had to contain representatives from many ministries. It was, however, a very effective way to get multi-sectoral clearances from all member countries in a short time. It also created lively and very useful exchanges between the different constituencies within national delegations” (Vinde 1998, 32). In other words, the horizontal nature of the Jobs Study brought together civil servants from ministries (such as finance, labour and industry) of the same country to work together, which they do not often do at the OECD, largely because the OECD’s own structure of directorates and committees replicates the divisions within governments. The Secretary-General also twice convened the Chairs of all committees and working parties concerned with the study (Vinde 1998, 32).

The final draft of the Jobs Study was presented to member states at the annual meeting of the Council at Ministerial Level, which was held June 8 and 9, 1994. In their communiqué, the ministers endorsed the main conclusions of the study and agreed to implement the recommendations “within the context of their particular economic circumstances” (OECD 1994c). They agreed that the problem of unemployment was partially due to the current recession and “significantly, to serious structural deficiencies” (OECD 1994c). Ministers acknowledged that they must “reduce budget deficits over the medium-term; ensure lasting price stability; and support demand as necessary and appropriate,” as well as “enhance labour market flexibility” (OECD 1994c). The communiqué, as one might expect, gave a nod to both equity and efficiency concerns.

The tensions that existed prior to the study were not resolved in the making of the report. Interviews by Noaksson and Jacobsson indicate that members of the Economics Department felt the final product was well-balanced (2003). This view, however, was “not entirely shared” by staff in DEELSA who expected their influence on the report to
have been greater (Noaksson and Jacobsson 2003). They reported, according to Noaksson et al, that “some recommendations are not empirically sustained” (2003, 16). For example, one interviewee argued that there was no solid evidence that tax policy can explain levels of unemployment (Noaksson and Jacobsson 2003, 16).

Overall, the Jobs Study was a unique undertaking for the OECD because it involved so many different departments and directorates working together. As seen from interviews and reports, working horizontally proved challenging. The OECD is not a monolith, its sub-components, like national government ministries, have objectives and perspectives that inform their work, which other colleagues in other divisions may not share. The finding that those in the Economics Department found the Jobs Study to be “balanced” while others in DEELSA did not, suggests the well-resourced and central Economics Department had greater influence than other departments. This difference in relative power within the OECD is further illustrated in the next section.

4.4 After the Jobs Study: Follow-Up and Peer Review

When the Jobs Study was completed, Ministers requested that the OECD continue its work on unemployment. In the Communiqué of 1994, Ministers asked that the OECD “exploit fully the organisation's multidisciplinary strengths” in order to:

- deepen and differentiate the analyses and priority policy recommendations…through cross-country analysis and by country…[and ] to use OECD's existing peer review structures to monitor collectively the implementation of policies adopted and, in particular, assess the effect of structural reforms on overall economic performance (OECD 1994c).

Following that mandate, several reports were produced throughout the 1990s and beyond, with the title Jobs Study or Jobs Strategy such as Implementing the Jobs
Strategy: Member Countries’ Experience (1997c) and Implementing the OECD Jobs Strategy: Assessing Performance and Policy (1999b). As well, member states’ performance on implementing Jobs Study recommendations was peer reviewed in the EDRC and published in the OECD Economic Surveys, as described in Chapter 3.

Work on the Jobs Study became, arguably, less horizontal. The Jobs Study Task Force that had been created in 1992 was disbanded and each directorate continued to work relatively independently. Publications after 1994, bearing the Jobs Study or Jobs Strategy title have been produced solely by DEELSA or the Economics Directorate, and, therefore, reflect their different perspectives (Interview 3). However, much of the responsibility for continuing the work of the project rested with the Economics Department because the creation of country-specific recommendations occurred there. As the “powerhouse” of the OECD, Economics was the only directorate that had the financial and personnel resources to carry out country-specific work (Noaksson 2003, 17). Though, according to one interviewee speaking to Walters, the expansion of the peer review process beyond macroeconomic policy and into areas such as social and labour market policies was difficult and risked producing substandard reports given the limited staff, experience and resources for this expansion (Walters 2000, 13).

Interviews with members of DEELSA indicate that they would have preferred to have been more involved with the project after the initial report but the “bargaining position of DEELSA was weakened by the departure of Peter Schwanse, the member of DEELSA who headed the Task Force” (Noaksson and Jacobsson 2003, 18). From their perspective, the change from a truly horizontal project to one mainly occurring inside the Economics Department had a (negative) effect on the substance and tone of later publications. The original Jobs Study, according to interviewees in DEELSA, struck a
better balance between conveying the need for flexibility and security in the labour market. In subsequent work, that balance was skewed to emphasise flexibility (Noaksson 2003, 19). Another DEELSA staff member expressed doubt that individual country recommendations in the Jobs Strategy were actually based on original Jobs Study recommendations, because at times the two seemed contradictory (Interview 3).  

TUAC was also displeased with the Economic Department’s dominant role in the follow-up to the Jobs Study (1997). In a statement issued in 1997, TUAC characterized the country recommendations as advice for implementing a “blue-print,” rather than “tailor-made” recommendations informed by the knowledge of specialist OECD committees. TUAC, therefore, recommended the creation of a broad-based OECD Committee, served by a general coordination unit of country desks not attached to any particular department and geared towards multidisciplinary work (1997).

This did not occur. The process of developing country-specific recommendations and monitoring member states’ progress on implementing these recommendations, fell to the EDRC and its peer review process.

Before turning to the case studies to examine these country-specific recommendations, let us look briefly at the contents of the 1994 Jobs Study to get a sense of the nature of the ideas put forward.

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16 For example, this official believed, in terms of scoring country progress, Canada should not have received a positive score for decentralizing the authority for management of their employment services to the provinces, which it did in 1996 with the Labour Market Development Agreements. This interviewee argued that the original Jobs Study has specifically recommended that countries integrate their employment services with the administration of their benefits, but this reform left benefit administration with the federal government and employment services with the provinces (Interview 12).
4.5 The Ideas of the Jobs Study

The Jobs Study, released to member states in June of 1994, comprises one summary document of “facts, analysis and strategies” (1994g) and two volumes of further “evidence and explanations” (1994e; 1994f). In its broadest statements, the Jobs Study is about restoring the capacity of economies and society to adapt to change (1994g, 30). A range of policy areas, including education, technology, business and macroeconomic policy are covered. The majority of recommendations though, are for changes to labour market policy, which will be the primary focus of this thesis. Country-specific recommendations will be examined later in each case study.

What the Jobs Study outlines is a complete paradigm for labour market policy. Hall describes a policy paradigm as a “framework of ideas and standards that specifies not only the goals of policy and the kinds of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing” (1993, 279). Indeed, the Jobs Study has all of these components, providing not only nine major recommendations regarding the instruments (e.g., ALMPs) and instrument settings (e.g., reduced benefits, lower minimum wages) policy-makers should use to lower unemployment; but also defining the problem of unemployment as primarily a structural problem requiring an increase in the flexibility of labour markets. Labour markets, the OECD contends, have been made inflexible by the constraints and disincentives that governments and other actors have imposed on the system. This section looks more closely at these ideas.
4.5.1 The Picture of Unemployment

Although all OECD countries faced high unemployment in the early 1990s, the Jobs Study shows how the nature of that unemployment within a long-term (45 years) trend was very different across the OECD.

Among the OECD countries, Canada, the United States and Oceania\textsuperscript{17} shared the similar pattern of an overall upward trend in unemployment since the 1970s. For Canada and the U.S., the problem of unemployment went back to the 1950s and 60s, when unemployment, unlike in other OECD countries, fluctuated between three and seven percent according to business cycles (OECD 1994g, 10). Therefore, the increase in unemployment after 1970 was deemed “modest” by the OECD (1994g, 10). The Canadian rate of around 11 percent in the early 1990s, was nothing new. Similarly high rates had already been seen in the early 1980s (OECD 1994e, 36).

Unlike North America, unemployment rates in Denmark had been relatively low before the mid-1970s, but after, they continued to climb in a pattern not unlike Canada’s. The main difference with Canada in the post-1970s era, however, was that Denmark’s early 1990s rate was the highest it had been, even higher than early 1980’s figures (OECD 1994e, 36-37). Also, Denmark, along with the rest of the European Community (EC)\textsuperscript{18}, faced the particular challenge of rising long-term unemployment.

Finally, in Sweden, one of the main problems for unemployment levels, according to the OECD, was that the public sector had stopped expanding, leaving unemployment to grow (OECD 1994g, 25). Unlike most other OECD countries though, Sweden had had

\textsuperscript{17} Australia and New Zealand
\textsuperscript{18} In 1994 this included: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, U.K.
miraculously low unemployment rates (between 2 and 4 percent) right up until 1990 (OECD 1994e, 37). By 1994, however, it was at 9.4 percent (OECD 1999b, 17).

4.5.2 The Causes of Unemployment and Recommendations

According to the OECD, “the single most important cause of rising unemployment, as well as growing incidence of low-wage jobs, is a growing gap between the need for OECD economies to adapt and to innovate and their capacity and even their will to do so” (OECD 1994g, 41). This need for adaptation, innovation and change, it is argued, is prompted by “new technologies” and “intensified competition from around the world” (OECD 1994g, 41).

More specifically, the OECD argues that a major component of the current unemployment problem is structural (OECD 1994e, 73). Structural unemployment, as opposed to cyclical, is defined as “that part of unemployment which is not reversed by subsequent economic upturn” (OECD 1994g, 32). Structural unemployment, however, is a theoretical construct of economists and, therefore, can only be estimated indirectly. The OECD, itself, admits that disentangling cyclical from structural components of unemployment is difficult. “[T]he estimates of cyclical and structural components of unemployment are uncertain, with wide margins of error around them and with some ambiguity about whether they are indeed distinct or interact…” (OECD 1994e, 69). Nevertheless, the OECD maintains throughout the study that structural unemployment exists, and is, in fact, the “main” component of unemployment (OECD 1994e, 67). Structural unemployment for the EC, Canada and Oceania, according to the Jobs Study, has risen over time and is, at the time of the Jobs Study, at about 7 to 10 percent of the
labour force, with cyclical unemployment on top of that figure (OECD 1994g, 32).

Estimates for the European Free Trade Area (EFTA) countries\textsuperscript{19} such as Sweden, put the figure between approximately 2.5 and 4.5 percent (OECD 1994e, 68).\textsuperscript{20}

Structural unemployment is, by definition, impervious to macroeconomic policy, therefore reducing it requires reforms to the underlying structural factors affecting the supply and demand of labour, such as the various regulations and institutions that affect labour markets. Of the nine recommendations in the Jobs Study, six are concerned with labour and labour markets.

The nine recommendations of the Jobs Study are:

1. Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable.

2. Enhance the creation and diffusion of technological know-how by improving frameworks for its development.

3. Increase flexibility of working time (both short-term and lifetime) voluntarily sought by workers and employers.

4. Nurture an entrepreneurial climate by eliminating impediments to, and restrictions on, the creation and expansion of enterprises.

5. Make wage and labour costs more flexible by removing restrictions that prevent wages from reflecting local conditions and individual skill levels, in particular of younger workers.

6. Reform employment security provisions that inhibit the expansion of employment in the private sector.

7. Strengthen the emphasis on active labour market policies and reinforce their effectiveness.

\textsuperscript{19} The EFTA in 1994 included several OECD countries, namely, Austria, Finland, Iceland, Norway, Sweden, and Switzerland.

\textsuperscript{20} A later OECD Jobs Strategy document admits, in a footnote, that “it is, however, particularly difficult to assess the evolution of structural unemployment in Finland, and to a lesser extent in Sweden, in the 1990s given the abruptness of the rise in actual unemployment. The OECD estimates of the NAWRU for these two countries are, therefore, subject to greater uncertainties than those for other countries” (OECD 1999b, 18).
8. Improve labour force skills and competences through wide-ranging changes in education and training systems.

9. Reform unemployment and related benefit systems – and their interaction with the tax system – such that societies' fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of labour markets (OECD 1994d).

Recommendation three, “to increase flexibility of working time,” is premised on the belief that employment growth will occur if employers and employees are given greater freedom to enter into contracts that allow for a variety of working-time arrangements, such as weekend, night-time and voluntary part-time work (OECD 1994g, 45). Governments, the study states, can facilitate this by removing labour legislation that impedes such arrangements, and by revising taxation and social security provisions that make part-time work unattractive (OECD 1994g, 45). The Jobs Study suggests, that employees and employers undertake negotiations for these arrangements at “de-centralised levels” (OECD 1994g, 34).

The Jobs Study recommends greater wage flexibility (recommendation number five) because, it is argued, over the last several decades the “wedge” between what employers pay for labour (both wages and non-wage labour costs) and the value of that labour to the employer, has been allowed to grow. Where non-wage labour costs (such as social security contributions) have increased, wages have not decreased (OECD 1994g, 45). According to the OECD, the result is less hiring by employers than would occur if wages more accurately reflected employees’ worth. To remedy this, governments are recommended to rethink minimum wage legislation, or at least indexed their minimum wages to prices rather than average earnings, as well as allow wages to differ by region or
age group (i.e., lower for youth), since this would, it is argued, increase employment for youth and low-productivity regions (OECD 1994g, 46).

Employment security provisions, whether legislated or decided by collective agreements, can also hinder the flexibility of the market, as recommendation six suggests. Though encouraging firms to retain workers and invest in them through retraining can be a positive effect of employment security provisions, the Jobs Study argues that on balance, provisions in the OECD are too strict and are preventing firms from shedding labour when it makes economic sense to do so. Strict employment protection legislation, the study argues, may even have the effect of making employers cautious about hiring (OECD 1994f, 76).

The final two recommendations that this study will focus on, i.e., “expand and enhance active labour market policies” and “reform unemployment and related benefit systems” are two-sides of the same coin in terms of fighting unemployment. Sometimes referred to as “passive” labour market policies, unemployment benefits were originally intended to maintain one’s standard of living while unemployed. “Active” labour market policies, on the other hand, have been used to facilitate the movement of the unemployed into work through job placement and counselling services, training programs to up-grade skills, and job creation schemes. However, the Jobs Study argues that passive benefits have today become “quasi-permanent income support” and are therefore having the unintended consequence of lowering the incentives for the unemployed to find work. The study recommends that countries “shift the focus of labour market policies from the passive provision of income support to more active measures” (OECD 1994g, 47).

To enhance the functioning of active labour market policies (ALMPs), the Jobs Study offers several recommendations: improve the Public Employment Services (PES),
for example, by integrating under one roof the three functions of placement and
counselling services, payment of unemployment benefits and management of labour
market programs; target and diversify training programs; increase employer involvement
in the design and execution of ALMPs; have public authorities buy and sell places for the
unemployed in the private and public training market; target job creation schemes to the
long-term unemployed and youth; and ensure compensation given in job creation
programs is below regular wage levels to ensure enough incentive in finding regular work
(OECD 1994g, 47).

In terms of passive benefits, the overall approach should be to “legislate for only
moderate levels of benefits, maintain effective checks on eligibility, and guarantee places
on active programs as a substitute for paying passive income support indefinitely”
(OECD 1994g, 48). In-work supplements or child benefits are encouraged, as is having
employers bear some of the cost of lay-offs by having them pay the first months of
unemployment insurance, or experience-rate insurance contributions (OECD 1994g, 49).

In all, the Jobs Study provides governments with a new paradigm for labour
market policy. In this paradigm, high levels of unemployment are not interpreted as
resulting primarily from insufficient demand. Keynesian macroeconomic stimulation is
not the answer. In the Jobs Study paradigm the nature of the problem is an overregulated
labour market with government policies creating disincentives. Unemployment is mainly
a structural problem. The goal, therefore, is for governments to adapt their policies to
improve labour market flexibility. For the most part, governments do not need to create
new instruments, with the possible exception of ALMPs. Instead, reforms will largely
require changes to the settings of current instruments, and in particular, lowering those
settings (e.g., reducing benefits) or scaling back their use (e.g., employment protection legislation).

The legacy of the OECD’s structural adjustment agenda (see chapter 3), which was primarily about the liberalization of markets, is clearly present in the study. A premium is placed on market-based solutions and on reducing government interference, particularly in the areas of wage-setting, employment protection and work-time flexibility. While not explicitly stated, the Jobs Study paradigm is also rooted in neoclassical economics. Individuals and firms, for example, are assumed to be rational maximizers whose behaviour is determined primarily by the financial rewards of the system. Thus, lower wages, lower benefits, lower non-wage labour cost, etc. are believed to incentivise individuals to seek out work and entice businesses to hire.

The study does go beyond the scope of the 1980’s structural adjustment agenda with the addition of recommendations for the use of ALMPs. In keeping with the report’s liberal and supply-side approach, however, the report tends to emphasize the wage-modering effects of ALMPs and their ability to improve the efficiency of labour markets, rather than their social benefits such as preventing social exclusion.

The overall thrust of the OECD Jobs Study has, therefore, led scholars to characterize the Jobs Study as “supply-side oriented,” “neo-classical” (Casey 2004); “liberal” (Dostal 2004); and “neoliberal” (McBride and Williams 2001). Noaksson et al describe the OECD as taking a “hard economics” perspective (2003, 48). While these descriptors are apt, particularly in judging the nine recommendations and the overall thrust of the documents, a very close reading will also show highly qualified, nuanced, sometime ambiguous statements, which, arguably are less rooted in a particular ideological position. This subtle disconnect between the analysis and the clearly neo-
liberal recommendations and statements of summary, means that there is a potential for multiple interpretations of the document. As a member of OECD’s Secretariat lamented, however, the public image of the Jobs Study has been more simplistic than what a full reading of all documents would convey, and further, it has been represented by only a handful of recommendations, particularly those that called for cuts to benefits and reductions to employment protection (Interview 3). How these documents were received in the three case studies will be discussed next.

4.6 Discussion and Conclusion

By examining the details of one large-scale OECD study, namely the Jobs Study, the OECD’s internal workings and relationship with member states becomes more clear. We find, firstly, that the organization’s ideas have shifted with the changing conventions of mainstream economics (e.g., from Keynesians to supply-side economics), yet, do more than only reflect the changing ideas of its member states. The OECD brings together and integrates ideas, as it appears to have done with the notion of “active manpower policies” in the 1960s. It also arbitrates between ideas, packaging them into a strategy that all member states can endorse. As we saw, the Jobs Study was written amidst tensions between those who wanted a greater emphasis on market-oriented labour market policies, and those who wanted more attention on labour supply policies.

Furthermore, the OECD is challenged by its internal diversity of perspectives. In particular, a look at the Jobs Study highlighted the tensions between i) macroeconomists and microeconomists, ii) proponents of the 1980s structural adjustment agenda and those concerned about the lack of focus on issues of equity and the social implication of
policies and, iii) the Economics Departments and DEELSA. More or less, these divisions are simply different ways to separate the same two camps within the OECD.

This chapter also laid out the contents of the *Jobs Study*, arguing that it represented a new paradigm of labour market policy. The study stresses the importance of economies and societies adapting to the new realities of globalization and technological change. However, capacity for such adaptation is low, the study argues. The problem of unemployment is not primarily about low demand, but poor flexibility of the labour market. Governments and others, therefore, need to focus their efforts on removing disincentives and lowering the barriers that are preventing individuals from seeking employment and hindering businesses from hiring. Recommendations are given for increasing flexibility of work time arrangements, making wage and labour costs more flexible, lowering employment protection, strengthening ALMPs and reforming benefit systems.

These recommendations, as already mentioned, were subsequently tailored to each OECD member state, and members were assessed on their progress in implementing them. The details of these tailored recommendations, as well as member state implementation, will be discussed in the next three chapters, while also exploring how these ideas were received and what impact they had on the policy-making process.
Chapter 5

THE CASE OF DENMARK

*Jobs Study* progress reports by the OECD noted that Denmark appeared “to have been particularly active in introducing far-reaching reform[s]” and that by the end of the 1990s its labour market was performing well (Brandt, Burniaux, and Duval 2005, 7 and see OECD 1998c; OECD 1999b). Whether these reforms were actually influenced by OECD ideas is the main question addressed in this chapter. Several researchers have noted briefly that Danish reforms appear to “echo” or be “inspired” by the recommendations of the OECD (Plougmann and Madsen 2005, 284-309; Drøpping, Hvinden and Vik 1999, 133-158; Lindsay and Mailand 2004, 195-207; Madsen 2005; Torfing 2004, 158-160). However, the Danish “flexicurity” model of labour market policy that resulted from the reforms did not, on the whole, resemble the OECD’s recommendations. The Danish case, therefore, raises several questions. Did OECD ideas really influence Danish reforms and if so, how and to what extent?

This chapter will argue that, while the flexicurity model in Denmark is less the result of the power of OECD ideas than domestic political factors, the OECD did indeed pave the way for labour market reforms. It did so by helping to introduce the concept of structural unemployment into Danish discourse, which shifted attention away from macroeconomic policy strategies for fighting unemployment to labour market policy. At the same time, the norm of consensus in Danish politics, the convention of including social partners in labour market policy making, as well as a common desire to preserve the standard of living for the unemployed, all prevented OECD ideas from having a more
direct impact on reforms. Instead, much of the specific content of labour market policy was the result of domestic negotiations.

The chapter will proceed as follows. It will begin with a brief look at the political and policy characteristics of the Danish welfare state, followed by a recapitulation of the OECD recommendations for Denmark. The chapter will then analyze the three stages of ideational transfer, acceptance and impact, before making some final conclusions.

5.1 The Welfare State and Labour Market Policy Reforms in Denmark

Denmark is a small Northern European parliamentary democracy of 5.4 million people. Its economy is marked by the abundance of medium- and small-sized firms, and is relatively open, with international trade well above the average of advanced capitalist countries (Campbell and Hall 2006, 8). As we will see, Denmark was also in slightly better financial shape than Canada and Sweden in the early 1990s. In 1993, Denmark had a budget deficit of 2.8 percent of GDP (Benner and Vad 2000, 438). Though gross public debt was high, ranging from 71 percent of GDP in 1992, reaching 85 percent in 1993 and steadily falling to 60 percent in 2000, it was lower than in Sweden and Canada (OECD 2010).

Politically, the Danish parliament, or Folketing, a unicameral legislature elected through a system of proportional representation, holds the world’s record for the largest number of minority governments since 1945 (Hustedt and Tiessen 2005, 7).21 Parties normally govern in a coalition, usually in a left or right-wing bloc with centre parties tipping the balance of power. From 1982 to 1993, Denmark was governed by the

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21 Except for a short period in 1993-94 when a four-party coalition formed a majority, Denmark has seen nothing but minority governments since the early 1970s (Hustedt and Tiessen 2005, 7).
bourgeois parties including, at various times, the Conservatives (Det Konservative Folkeparti), the Liberals (Venstre), the Centre Democrats (Centrum-Demokraterne), the Christian Democrats (Kristendemokraterne) and the Social Liberals (Det Radikale Venstre). Conservative leader, Poul Schlüter was the Prime Minister. In 1993, the Social Democrats (Socialdemokraterne) came to power and governed until 2001 with support from the Social Liberals and at times, the Centre Democrats and the Christian Democrats. In the central administration, there are virtually no political appointees, and a system of meritocracy drives promotion in the bureaucracy. Ministers are solely responsible and personally accountable to parliament for the activities within their ministry, and highly autonomous relative to the cabinet as a whole (Hustedt and Tiessen 2005).

The Danish welfare state is a social democratic one, based largely on universal social benefits and financed primarily through taxation. Citizens have the right to free social services, health care and education. A two-tiered system is responsible for the unemployed: unemployment insurance and social assistance. The former is supported by the public employment service (Arbejdsformidlingen, AF) under the direction of the Ministry of Labour, though unions and employers (the social partners) enjoy considerable influence through the National Labour Market Board (Landsarbejdsråd, LAR) and the Regional Labour Market Boards (regionale arbejdsmarkedsråd, RAR). The LAR advises the Minister of Labour on labour market policy, while the RARs, “prioritize and tailor” policy to the specific needs of their region, albeit with Ministerial direction in terms of funding, goals and performance requirements (Jørgensen 2002, 180-181). Similar boards have existed since the 1970s, but their power has fluctuated over the decades. The current incarnations of the LAR and RAR are products of the labour market
reforms of the 1990s, and were created with the aim of decentralizing the system by increasing power at the regional level (Jørgensen 2002, 180-181).

Benefits paid under the unemployment insurance scheme are generous with a maximum replacement rate of approximately 90 percent of former earnings, although due to a very low ceiling, the replacement rate is around 70 percent for the average worker (Madsen 2002, 5-6). Benefits are primarily funded through general tax revenues; only a small percent of financing comes from employers’ contributions and direct contributions from the insured.

For the uninsured, the system of social assistance is run by 275 municipalities under the direction of the Ministry of Social Affairs. Assistance benefits are not related to former pay but are means-tested. For adults with dependent children, they provide about 80 percent of the maximum unemployment benefit. The amount is less for those without children and less still for those under 25 years of age. The Danish state and local authorities split the cost of funding social assistance benefits (Rosdahl and Weise 2001, 167-168).

The social partners – primarily the Danish Employers’ Confederation (Dansk Arbejdsgiverforening, DA) and the Danish Confederation of Trade Unions (Landsorganisationen, LO) – play a significant role in labour market policy. Both DA and LO are confederations. DA comprises 13 employer organizations which represent around 28,000 private companies, and LO is comprised of around 18 labour union organizations of which two thirds of all unionized workers in Denmark are members. Biennially, they have centralized rounds of negotiations affecting almost the entire labour market. The relationship between the partners is consensual and there are relatively few work stoppages (Schmidt-Hansen and Kaspersen 2004, 11). The government also
consults regularly with these social partners, circulating policy proposals for their consideration (Schmidt-Hansen and Kaspersen 2004, 11). The trade unions have, up until 1995, been closely connected with the Social Democratic Party, while many employer organizations co-operate with the two main non-socialist parties, the Conservative People’s Party and the Liberal Party.

Employment became a major issue in Denmark following the 1973 oil crisis, when the unemployment rate rose above the one or two percent that had prevailed for fifteen years prior (OECD 1994e, 37), reaching seven percent in 1980, averaging 9 percent through the 1980s, and peaking at 12 percent in 1993 (Green-Pedersen 2001, 53-70). Reforms made to labour market policy in the 1970s were aimed at maintaining the skills of the unemployed and their right to benefits. In 1978, the Law of Jobs Offers (Arbejdstilbudslov, ATB) was passed to provide jobs to those at the end of their unemployment benefit period. These job schemes were justified on the grounds that they helped maintain the skills of the unemployed. However, they also tended to last nine months—long enough to satisfy the unemployment benefit requirement of 26 weeks’ work in the past three years, re-qualifying the unemployed for benefits. Unemployed persons could, therefore, cycle between benefit periods and jobs schemes almost indefinitely (Larsen 2005, 12-13).

Some have argued that the creation of the ATB is evidence of a history of active labour market policies in Denmark (Andersen 2002, 59-84). However, the link between the right to benefits and the duty to take up work or training was tenuous. This changed significantly with the reforms of the 1990s. The reforms of the 1990s created, what became know as the Danish “flexicurity model.” This model consists of three elements. The “flex” or “flexibility” aspect of the model derives from Denmark’s low levels of
employment protection, which allows employers to hire and fire relatively easily – a unique feature for a country with high union density. The “curity” or “security” element of the model is Denmark’s fairly generous unemployment benefits. The third element is a system of active labour market policies, which on the one hand, provides the unemployed with the skills and qualifications needed to get back into work, but on the other hand, also ensures that the unemployed actively search for employment.

With the first phase of labour market reforms in 1994, the unemployed could no longer re-qualify for benefits simply by taking a publicly-funded job. Instead, the maximum period was fixed at seven years and recipients were required to be “activated” by taking up education or job training for at least three of those years. Subsequent reforms reduced the maximum number of years in which one could be “passive.” Action plans were required for the long-term unemployed and, greater control was given to the RARs, or regional labour market boards. Table 5.1 provides a summary of these and other changes.

Table 5.0 Active Labour Market Reforms of the 1990s in Denmark

<table>
<thead>
<tr>
<th>1994</th>
<th>Law of Active Labour Market Policy (Phase 1)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>• Duration of unemployment benefits fixed to a maximum of 7 years (with the last 3 years being an “active period”)</td>
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<tr>
<td></td>
<td>• Right to re-qualify for benefits through subsidized job offers is abolished. Only possible to regain entitlement after 26 weeks of non-supported ordinary employment</td>
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<td></td>
<td>• Activation is directed to a higher degree towards the needs of the individual and the requirements of the labour market</td>
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<td></td>
<td>• Earlier activation of “exposed” groups</td>
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<td></td>
<td>• Individual action plans for the long-term unemployed is mandatory</td>
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<td></td>
<td>• Decentralization of active labour market policy to 14 regions</td>
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<table>
<thead>
<tr>
<th>1995</th>
<th>Budget 1995</th>
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<tbody>
<tr>
<td></td>
<td>• Gradual introduction of right and duty to activation after 4 years of</td>
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unemployment
- Tightening of the rules of availability for work of the unemployed

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget 1996 (Phase 2)</th>
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<tbody>
<tr>
<td></td>
<td>Duration of unemployment benefits lowered from 7 to 5 years (2-year benefit period plus 3-year “activation” period)</td>
</tr>
<tr>
<td></td>
<td>Right and duty to full-time activation after 2 years of unemployment</td>
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<tr>
<td></td>
<td>Duty to accept work outside own occupation/trade after 6 months</td>
</tr>
<tr>
<td></td>
<td>Pool jobs(^{22}) available for the vulnerable unemployed</td>
</tr>
<tr>
<td></td>
<td>Stricter sanctions if individual refuses to participate in an activation programme</td>
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<tr>
<td></td>
<td>Increased emphasis on job-training programs in high-priority public service areas</td>
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<tr>
<td></td>
<td>Youth employment programme begins. Activation for youth without education/training after 6 months unemployment with 50 per cent of unemployment benefits, of at least 18 month duration.</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Budget 1997</th>
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<tbody>
<tr>
<td></td>
<td>Entitlement to unemployment benefits requires 52 weeks of ordinary employment in a three-year period (previously 26 weeks).</td>
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<td></td>
<td>Adult apprentice programme is extended</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Budget 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Requirements on professional and geographical mobility is tightened, e.g., Reasonable demand for commute time to work increased to 4 hours a day (previously 3 hours)</td>
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<tr>
<td></td>
<td>In certain situations the PES must approve employed persons' education/training</td>
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</tbody>
</table>

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<tr>
<th>Year</th>
<th>Budget 1999 (Phase 3)</th>
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<tbody>
<tr>
<td></td>
<td>Duration of receiving unemployment benefits lowered from 5 to 4 years (1-year benefit period plus 3-year “activation” period)</td>
</tr>
<tr>
<td></td>
<td>Right and duty to full-time activation after 1 year.</td>
</tr>
<tr>
<td></td>
<td>Right and duty to activation extended to all young unemployed people (including educated) after six months.</td>
</tr>
<tr>
<td></td>
<td>Duty to accept work outside own trade/occupation after 3 months</td>
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<tr>
<td></td>
<td>More goal-directed education for the unemployed. Training over 6 months is contracted with PES.</td>
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<tr>
<td></td>
<td>Registration at the unemployment office required from the first day of unemployment.</td>
</tr>
<tr>
<td></td>
<td>Speedier and more individualized determination of target groups for earlier measures—with a large focus on the weakest.</td>
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</tbody>
</table>


\(^{22}\) Longer activation programs for long-term unemployed people; may have duration up to three years; jobs are established in the public sector (municipal level).
From the first spike in unemployment in the 1970s until the major reforms of the 1990s, Denmark saw very little real change in the area of labour market policy. This, however, does not mean that unemployment was not an issue for policy-makers. On the contrary, it was heavily debated. The remainder of this chapter examines the extent to which OECD ideas played a role in that debate. The next section starts the analysis by looking at the labour market policy ideas discussed and advocated by the OECD at that time.

5.2 OECD Analysis and Recommendations for Denmark

As discussed in chapter 3, the OECD publishes country-specific recommendations in its annual *Economic Surveys*. In its 1989-90 survey for Denmark, the issue of structural unemployment and the “rigidities and imbalances” of the labour market were dealt with at length. As one of the clearest and most comprehensive assessments by the OECD of Danish labour market policy prior to Denmark’s major reforms, it is worth noting its key findings.

Working from a supply-side perspective, the survey argued that, “the malfunctioning of the labour market is at the core of the macroeconomic imbalances in the Danish economy, and that the problem of unemployment was not only cyclical but also structural:

“The persistence of a relatively high level of unemployment (9 ½ percent in 1989) suggests that the labour market may be subject to important rigidities (...) Stabilizing inflation seems to require a rather high rate of unemployment… This is illustrated by the experience of the period 1985-87 when the latest domestic demand boom led to overheating in the labour market even though unemployment was as high as 8 percent” (OECD 1990a, 64).
Several explanations for high structural unemployment were discussed. One focused on Denmark’s “generous” unemployment benefits, which, according to the report allowed employers to abuse the system by laying off workers in times of low production, only to rehire them when production increased (OECD 1990a, 67). Generous benefits were also said to prolong job search activity thus lengthening the spell of unemployment, particularly among lower-paid workers (OECD 1990a, 68).

High wages were seen as a second factor, creating low-profitability for firms and reduced demand for workers, particularly low-skilled and younger workers (OECD 1990a, 74-75). An “insider” and “outsider” bargaining system was said to reinforce this wage structure. According to the OECD, insiders (i.e., those who were currently employed or who were insulated from layoff due to tenure) had little incentive to consider the needs of outsiders (those who were unemployed or in precarious employment) such as the effects of wage hikes on hiring practices. In this regard, the OECD recommended that employers and employees shoulder a larger share of the cost of employment benefits (OECD 1990a, 74 and 87).

The survey also focused on active labour market policies. According to the OECD, while Denmark spent more than any other member country on passive and active measures, the system had a number of faults. These included too little private sector involvement in training, the “artificial nature” of job offers, and a lack of program assessment (OECD 1990a, 81-82). In addition, the “career” of the unemployed – the time spent moving from benefits to training to job offer – was seen as unduly long (OECD

\[\text{Active} \text{ is defined as “measures which aim at reducing structural unemployment by increasing the flexibility of the labour market and the qualification of the labour force” (OECD 1990a, 81-82)}\]
These main ideas are summarized in Table 5.0 below.

**Table 5.1 OECD Analysis and Recommendations for Danish Labour Market Policy**

<table>
<thead>
<tr>
<th>Recommendations</th>
</tr>
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<tbody>
<tr>
<td>The cause of high unemployment is structural.</td>
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<tr>
<td>Unemployment benefits are too generous</td>
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<tr>
<td>- Encourages abuse of the system by employer and employee</td>
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<tr>
<td>- Prolongs job search and unemployment spells</td>
</tr>
<tr>
<td>Wages are excessive and wage structure is too compressed</td>
</tr>
<tr>
<td>- High wages inhibit the hiring of low-skilled and youth workers</td>
</tr>
<tr>
<td>- Lack of incentives for “insiders” to consider the needs of “outsiders”</td>
</tr>
<tr>
<td>- Refinancing of the income support system such that the social partners</td>
</tr>
<tr>
<td>shoulder more of the burden would create incentive to consider the needs</td>
</tr>
<tr>
<td>of “outsiders”</td>
</tr>
<tr>
<td>Active measures need to be made more effective</td>
</tr>
<tr>
<td>- Involvement of private sector should be increased</td>
</tr>
<tr>
<td>- Job offers should be more meaningful</td>
</tr>
<tr>
<td>- Recipients should spend a shorter length of time in the system</td>
</tr>
</tbody>
</table>

Source: OECD 1990a

**5.3 The Transfer of OECD Ideas**

This section examines the extent to which OECD ideas entered into Danish labour market debates, who espoused these ideas domestically and what mechanisms and conditions facilitated their transfer. The OECD’s key link was with the Ministry of Finance, though an economic advisory council, think tanks, the employers confederation (DA) and the business-oriented press also played roles as conduits for OECD-inspired ideas.

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24 Some liberty is taken here to explicitly state what is implicit in the *Economic Survey* of 1989-90 for Denmark. Thus, the summary in Table 5.0 appears much more “recommendation-like” than what one would find in the actual *Economic Survey*. A careful observation of the *OECD Economic Surveys* over the course of the 1990s reveals that the *Surveys* became more explicit in their recommendations in the later half of the 1990s, using bullet points and boxes to highlight key points. This observation is confirmed by a senior official in the OECD who in an interview described the *Surveys* of the early 1990s as “cautious” and even “hard to understand” and later *Surveys* as having “clearer statements” and “sharper recommendations.”
5.3.1 The Ideational Context

Danish policy-makers had been grappling with the problem of unemployment since the mid-1970s. At first, many believed that the unemployment crisis would soon pass with the next upswing in the business cycle, so the main political response was to stimulate domestic demand (Green-Pedersen 2001, 56). Labour market reforms such as the Law of Job Offers in 1978, as mentioned above, were aimed at maintaining the skills of the unemployed and their standard of living until re-employment.

By the early 1980s, faith that the crisis would soon pass was fading. Believing that demand stimulation would only worsen the economic situation, the Conservative-Liberal government, which took office in 1982, embraced a supply-side approach, which was not out of step with the OECD’s own structural adjustment agenda of that time (Andersen 2002, 64-65). In the early years of their mandate, they engaged in a strategy of “economic reconstruction,” that fought unemployment indirectly by attempting to lower inflation and increase competitiveness (Andersen 2002, 64-65). The government raised the cost of consumer credit, liberalized capital markets, fixed the Danish Krone to the German Mark and reduced public spending (Andersen 2002, 65; Schmidt-Hansen and Kaspersen 2004, 5). They also froze and eventually abolished automatic indexation of wages, froze the level of early retirement, unemployment and sickness benefits, and added a waiting day to sickness benefits (Green-Pedersen 1999, 243-260). Other political actors also began to see economic problems in structural terms, including labour union and employer associations, which, in the early 1980s led to a reconceptualization of industrial policy,
and by the late 1980s, as will be discussed, labour market policy as well (Kjær and Pedersen 2001, 219-248; Torfing 1999, 5-28).

The focusing event that brought to prominence the need for a new understanding of, and approach to, fighting unemployment was the “overheating” of the Danish economy in 1987, characterized by simultaneous high domestic demand, wage inflation and unemployment (Larsen and Andersen 2009, 246; Interview 19). This event “disrupted” previously held beliefs about the relationship between wages and unemployment (Interview 19), and along with the failure of earlier attempts by policy-makers to reduce unemployment, created the conditions for a paradigm shift in labour market policy. As described by Peter Hall, a paradigm shift is proceeded by anomalies or events which the current paradigm cannot fully anticipate or explain, as well as policy failures. In the Danish case, neither the Keynesian demand-management perspective of actors like the Social Democrats nor the Conservative-Liberal government’s supply-side approach focusing mostly on monetary and fiscal policy could have anticipated the events of the mid-1980s. This left the Danes in a state of “Knightian” uncertainty in which the very nature of the problem at hand needed identifying and diagnosing. As will be described, it was at this time of uncertainty that the OECD’s analysis diagnosing Denmark’s unemployment problems as structural entered debates and eventually prevailed as an

“institutional truth” despite the existence of alternative explanations for the overheating

25 A civil servant in the Ministry of Finance described that time period like this: “There was a strong belief that wage developments were something you could fix and agree upon...[This belief] was very strongly disrupted after the experience in 1986-87, when the economy faced over-heating to a very large extent. It was obvious that unemployment fell too much...It was a strong indication that we had a structural level of unemployment, which was quite high because wages exploded at eight percent [unemployment]. So structural unemployment must have been higher at that time” (Interview 4).
The label of structural unemployment set attention on the need for reforms to labour market policies. However, the concept was not unambiguous, but left open for debate the specific reforms that were needed to reduce unemployment.

5.3.2 Government Ministries

The evolution of perceptions of unemployment throughout the 1980s and early 1990s is captured in reports by government ministries. Two policy prescriptions were prominent in the discourse: cutting benefits to increase the incentive for employment and providing further education to help solve the problem of skills “mismatch” (Interview 19).

The earliest reports on structural unemployment were published by the Ministries of Labour and Education. In 1986, they published jointly the *Green Paper on Growth and Restructuring* (Debatoplæg om Vækst og Omstilling), and in 1987, the Labour Ministry published *Labour Market Policy Summer 1987: How Far We Have Come* (Arbejdsmarkedspolitikken Sommeren 1987: Så Langt Er Vi Kommet). As one might expect, particularly from the Education Ministry, the reports emphasized the role of education and training (particularly technical training), while a change in the benefit scheme was not considered. Here the OECD was referred to only as a source of statistics.

Following the 1987 public sector-led wage surge, a rather different perspective began to appear in the next major government report, prepared not only by Labour and Education, but also the Finance, Tax, Social and Economic Affairs Ministries. The 1989

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26 One such alternative was that the sharp rise in wages was due to public employees in Denmark negotiating a large, sudden wage increase after years of meager raises (Torfing 2004, 178; also see Larsen 2009).
White Paper on the Structural Problems of the Labour Market (Hvidbog om Arbejdsmarkedets Strukturproblemer) voiced concern for many of the same labour market issues highlighted in OECD reports: the narrow dispersion of wages, the generosity and financing structure of unemployment benefits, the lack of control over testing for willingness to work, as well as concerns about training and education. This report cited the OECD to a much greater extent, including an *OECD Economic Studies* paper on labour market flexibility (see Klau and Mittelstädt 1986) and the *New Framework for Labour Market Policies* which at that time had not yet been published by the OECD but was available to the Danish government (see OECD 1990b)(Government of Denmark 1989, 58-59).

By the early 1990s, reference to, and use of, OECD work became even more extensive, especially by the Ministry of Finance. The ministry’s annual *Medium Term Economic Survey* of the Danish economy (*Finansredegørelse*), in chapters dedicated to labour market issues, cited the OECD frequently,\(^{27}\) either as a source of comparative statistics or as support for the ministry’s own analysis. In the 1993 report, for example, the ministry indicated that its conclusions on cyclical and structural estimates of unemployment were “supported by the OECD’s analyses of the structural unemployment in Denmark” (Ministry of Finance Denmark 1993, 186). The apparent increased use of OECD research and analysis by the Ministry of Finance is confirmed in interviews with ministry staff. Several civil servants recalled the OECD as a source of “inspiration” for the analytical work and thinking of the Finance Ministry in those years (Interview 7, 19, 39).

\(^{27}\) In the 34 page chapter on labour market structure in 1993, the OECD was referenced six times and in the three chapters on labour market issues in the 1994 report, (a total of 68 pages), there were 19 references to OECD sources.
These interviews also reveal that the increased use of OECD research and ideas was facilitated by a reorganization of the ministry and a shift in the attitudes of ministry personnel towards the OECD. In the late 1980s, organizational change in the Ministry of Finance encouraged greater interaction between the ministry’s permanent delegate to the OECD (that is, the finance counsellor) and the rest of the ministry, by moving the finance counsellor from the budget to the economic policy division of the ministry, a division fast becoming more active in labour market issues (Interview 20). In this way, labour market policy discussions occurring in the economic committees of the OECD were more smoothly inserted into the Finance Ministry’s labour market policy analysis.

As described in chapter 3, the Ministry of Finance also sent non-permanent or *ad hoc* delegates to other meetings of the OECD such as those of Working Party 1 (WP1) which examines structural policy. Former and current Danish delegates to the WP1 said they learned from and were inspired by the work of the committee (Interview 19, 20). What was learned in those committees was fed into the work and analysis of the Ministry of Finance. For example, one civil servant recalled that OECD analysis was used extensively when preparing Finance’s *Medium Term Economic Survey* and papers for political discussions in cabinet committees. In fact, the organization of the ministry was altered to help facilitate insertion of OECD ideas:

“What I brought back [from the OECD] was inspiration for guiding people, drafting these chapters [in the *Medium Term Economic Surveys*] using Danish data, thereby people learned very much - of course I learned very much. And we constructed an organization in the ministry so that the same division working out these analyses would also work out the papers for political discussions in ministerial committees when decisions were actually to be made. That was a very fruitful interaction between analytical evidence and policy” (Interview 19).
Finally, some members of the Ministry of Finance also took short leaves to work in the OECD Secretariat. According to Marcussen’s interviewees, this short stay - two to five years - at the OECD was highly regarded and viewed as a career-enhancing experience “because the OECD, within the [Danish] central administration, has a reputation of extremely high professionalism – especially inside economic circles” (Marcussen 2002, 205, own translation).

These organizational linkages and alterations were accompanied by changes in the general disposition of Finance personnel towards the OECD. According to one civil servant, when he began his career in the 1970s, the staff at Finance mainly sought to deflect OECD critiques (Interview 20). This defensive posture gave way over the course of the 1980s. The new generation of ministerial staff in the early 1980s believed that the Ministry should be held accountable for poor policies at home. As they moved into more senior positions, this resulted in increasing use of the OECD as “inspiration” for ministry work (Interview 20). One member of this new generation recalls that when he was promoted to supervisor of the OECD finance counsellor, he encouraged the counsellor to allow more critical reviews of Danish policy (Interview 20). Since each member state can amend and must approve the wording of its country-specific Economic Survey, a civil servant hoping to make certain reforms can use OECD publications as a way to legitimize an issue that is currently getting little traction at home.

5.3.3 Think Tanks and Research Centres

Danish ministries were not the only relevant agents to utilize OECD research and analysis. Two particularly important actors in labour market policy debates, the Danish
Economic Council (Det Økonomiske Råds, DØR), an economic advisory body funded by the Danish government but otherwise independent, and the Center for Labour Market Studies (CLS) at the University of Aarhus, both utilized OECD ideas.

DØR, in its twice annual report on the Danish economy, was among the first in Denmark to express concern over benefit levels and wage structure. Similarities between DØR’s recommendations and the OECD’s own advice are striking. For instance, the report refers to the “international debate becoming known as the “insider-outsider” problem” (Danish Economic Council 1988, 60). To solve this problem, the report argued for “increased wage differentials possibly combined with wage subsidies to unskilled workers or [their] employers” (Danish Economic Council 1988, 145). Further recommendations included changes to the unemployment benefit system to reduce the replacement rate to increase employment incentives, as well as altering the financing of benefits such that employers and employees would share more of the cost with the state. It was argued that such an approach would lead to wage moderation. Requiring employers to bear the cost of the first two weeks of benefits was also suggested to reduce the temporary lay-offs that accounted for a large percentage of unemployment in Denmark. Improving incentives to take up vocational training was also considered beneficial (see Danish Economic Council 1988, 143-145).

The work of CLS is regarded as being “inspired by a series of leading scholars from the OECD, England and America” (Torfing 2004, 147). The centre, only established in 1993, supported the claim that Denmark was experiencing structural unemployment. Two important articles on structural unemployment were published that year by the centre’s researchers Nina Smith (1993) and Niels Westergaard-Nielsen (1993). Smith argued for increased wage flexibility and training to fight the “insider-outsider” problem.
Westergaard-Nielsen agreed that the wage structure was problematic, but as lower wages were not politically feasible, he focused instead on increased training and reform of the financing of the unemployment benefit system (see Torfing 2004, 147).

Though there were few direct references to the OECD in these key documents by DØR and CLS, interview evidence demonstrates that both formal and informal relationships facilitated the sharing of ideas between the OECD and these non-governmental actors. At the formal level, the OECD has contact with “prominent think tanks,” in addition to government ministries, social partners and the Central Bank when it undertakes its several-day fact finding mission prior to drafting the EDRC country review (Interview 1). Economists from DØR and CLS are among those visited (Interview 16, 23). Another formal way for Danish economists to have contact is as consultants to the OECD; and indeed, an economist with CLS was a consultant for the OECD on issues of unemployment benefits in the mid-1980s and mid-1990s (Interview 16).

These formal and informal relations are facilitated by a shared neo-classical economic perspective and research agenda and by the Danish background of some OECD officials. As a member of the Secretariat from DØR explains: “You will see a lot of examples [indicating] that the OECD has taken some of the ideas in our reports. Of course we go to the OECD reports and get ideas…We are colleagues. We’re doing the same kind of work, in the same areas – we’re really sharing ideas” (Interview 23). An economist with the CLS described economists outside and inside the OECD as getting along “fine” and, personally, had great respect for their work because it is not based on “skewed political ideas” (Interview 27). Danes who work at the OECD appear to provide an important link with domestic economists. Given Denmark’s small population and the fact that many economists circulate between the Ministry of Finance, DØR and the
OECD, OECD ideas move easily and quickly in Denmark. As an example, one senior member of the Economics Department at the OECD is a former employee of the Danish Economic Council, a frequent OECD source in the Danish media, and also a member of the Danish Government’s 2005 Welfare Commission.

5.3.4 The Social Partners

In addition to serving member state governments, the OECD also has formal relations with labour and employer organizations through the Trade Union Advisory Committee (TUAC) and the Business and Industry Advisory Committee (BIAC), as discussed in chapter 3. LO (Danish Confederation of Trade Unions) and DA (Danish Employers’ Confederation) are members.

Despite this connection with the OECD, there is little evidence that LO played a role in transferring OECD ideas in the late 1980s and early 1990s. Its own research centre, the Economic Council of the Labour Movement (Arbejderbevægelsens Erhvervsråd, AE), had been preoccupied with macroeconomic analysis of the business cycle. To the extent that its research dealt with structural policy analysis, it was mainly in the area of business and industry (Torfing 2004, 146). Furthermore, LO’s position on labour market policy – which will be looked at in greater detail later – differed greatly from the OECD’s. In particular, LO did not want to see benefits lowered or wages cut.

Like LO, DA was also not prepared in the early 1990s to provide significant analysis of their own on labour market issues (Torfing 2004, 103). Yet, in contrast to LO, DA shared many of the same perspectives as the OECD on labour market issues, and did make use of its analysis. In a book produced by the Rockwool Foundation, which brought
together several key figures from union and employer organizations, Poul Erik Pedersen, Administrative Director at DA, wrote an article on why “labour markets must adapt to international conditions” (1992, 97-111). He referenced extensively both the OECD’s *Labour Market Policies for the 1990s* (1990b) and the *Economic Survey* for Denmark from 1989/90 (1990a). These reports were used to support an argument for shifting from passive to active labour market measures and for lowering wages for youth, in order to decrease structural unemployment caused by a narrow wage structure (Pedersen 1992, 106-108). An interview with a member of DA’s staff confirms their high respect for the OECD, and their belief that the OECD is generally perceived as a trusted authority by policy-makers and the public (Interview 26).

### 5.3.5 Media and Parliament

Major OECD reports are likely to receive headlines in Denmark, making the news media another vehicle for the transfer of OECD ideas (Marcussen 2002, 195-201; Torfing 2004, 159). Ritzaus Bureau, the largest Danish news agency, provides a regular column on OECD reports and meetings, enabling the press to keep on top of OECD developments. In his survey of three major daily newspapers in Denmark from 1996 to 2000, Marcussen argues that, though the OECD is well covered, the quality and frequency of this coverage varies from paper to paper (2002, 195-201). *Børsen*, a business newspaper, may mention the OECD daily, and will have a reporter permanently assigned to the OECD to follow-up on stories. Danish foreign civil servants at the OECD or Danes in the OECD Secretariat were frequent sources. In contrast, *Aktuelt* (a Social Democratic Party paper) and *Information* (a small left-wing paper) mentioned the OECD less
frequently, and did less of their own analysis and investigation, relying heavily on the information fed from the news agencies (2002, 195).

In the early 1990s, the OECD was frequently cited in the Danish press on labour market policy matters. The release of a Danish *Economic Survey*, or even an OECD Working Paper received headlines in the major dailies (see Bendixen 1993; Skovgaard 1993; Vestergaard 1993). In many cases, it was not the reporter *per se* who transferred OECD ideas into debate, but the authors of guest-editorials such as the Economic Affairs Minister, the Labour Minister, and an economist at the Central Bank (see Petersen 1990; Jensen 1991, Kirkegaard 1992). In 1990, the Economic Affairs Minister referred to the OECD several times, explaining that analyses being undertaken in his ministry and in other parts of the Danish government highlighting the problems of the economy, and particularly the labour market, have been similar to analyses done by the OECD (Petersen 1990). In July of 1992, the Labour Minister, Knud Erik Kirkegaard, in an article defending himself against accusation of having a “defeatist attitude towards unemployment,” argued that Denmark must eliminate the structural problems of the labour market and all responsible parties, including Parliament, business and labour need to play their part. He noted that the “OECD, DØR and a number of social scientists have given quite detailed recipes” for what needs to be done (Kirkegaard 1992).

For those outside the informal and formal OECD networks discussed above, these media reports may be their first or only link with the OECD. For information-overloaded parliamentarians especially, press references to OECD reports are found to play a key role

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28 A systematic tracking of OECD-related news was not done making it difficult to be too specific about the precise frequency.
in keeping members abreast of the research published by multiple international organizations (Marcussen 2002, 202).

In summary, there is much evidence that, prior to the labour market reforms that began in 1993, OECD ideas were flowing into policy debates, particularly by key players such as the Ministry of Finance, the Danish Economic Council, classical economists, DA and the (primarily business-related) media. These main conduits for OECD ideas were primarily individuals or groups who spoke the language of economics and were imbued with the values of the profession. From their perspective, OECD research was seen to be objective and of high quality. In other words, agents’ predisposition mattered for how they received and judged OECD ideas.

Policy learning and seeking legitimation were the main ways OECD ideas moved into the domestic arena. Civil servants in Finance and economists engaged in a process of learning as they exchanged, tested and refined their ideas in OECD meetings. Some actors, including some of the same actors engaged in learning, used the OECD to help legitimize their policy stance. Civil servants in Finance sought out OECD analyses that were favourable to the positions they wished to promote domestically. Ministers in the Conservative-Liberal government, in newspaper editorials, highlighted commonalities between their position and the arguments of the OECD. The Danish employers confederation cited the OECD to support their argument in favour of activation and lower wages for youth.

Several conditions facilitated these processes of transfer. In the Finance Ministry, transfer was facilitated by the multiple delegates who visited the OECD each year, organizational change within the ministry, and an increasingly positive attitude towards
and familiarly with the OECD among senior civil servants. An informal professional network linked the OECD with Danish economists who shared their analytical perspective. Several of these transferees described the kinds of conditions that scholars have suggested would facilitate learning, including largely de-politicized meetings where participants meet repeatedly and engage in deliberative arguments. DA drew upon OECD ideas as a result of its membership in BIAC, and the news media was aided by the inclusion of OECD goings-on in the daily reports of Denmark’s largest news agency.

5.4 The Acceptance and Impact of OECD Ideas

This section examines those political negotiations which led to labour market policy reforms in Denmark and attempts to determine if OECD ideas had an impact on the policy-making process. Though political debate on unemployment spanned from the mid-1980s until the early 1990s, few policy changes were made prior to the major reforms beginning in 1993. The primary reason for the lack of progress was the absence of consensus among the major labour market policy players: the government, LO and DA. In particular, the Conservatives had committed themselves to undertake major reforms only if they could secure the cooperation of the labour unions and/or the Social Democrats (Torfing 2001, 301). Yet, this proved difficult to do until the concept of structural unemployment, imported from the OECD, provided a common understanding of the problem of unemployment and a common focus on labour market reforms as the

29 A notable exception to this was the Youth Allowance Scheme introduced in 1991. The scheme required that all 18 and 19 year olds participate in one of a number of employment or education activities in order to receiving social assistance benefits. It was soon expanded to include those under 25 years. If the young person refused, he or she was cut off from benefits (Bredgaard 2000, 26). This reform was significant, even though it only affected a narrow range of the working population, because it was the first true attempt at “activation” of the unemployed.
solution. With this common understanding, the Zeuthen Commission, appointed in 1992, negotiated a new path for Danish labour market policy. However, the particularities of the Danish system, including a preference for consensus and the inclusion of the social partners in policy decisions, prevented many of the OECD’s recommendations from becoming policy.

5.4.1 Roadblock I: Disagreement among the Political Parties

The Conservative-Liberal government of the late 1980s accepted many of the OECD’s ideas about labour market reform. In 1988, the Conservative Prime Minister, Poul Schlüter announced a “new social vision for Denmark” in which activation would be combined with lower benefits. He said that if society was going to support the able-bodied unemployed with publicly-funded jobs, then “the wage given [for the work] has to be so low that people can just get by. It should not be so high that it becomes a permanent solution” (Larsen, J.E. 2001, 10). In his opening speech to Parliament in 1991, Schlüter also argued that the benefit system and the wage structure needed serious reconsideration (Folketing 1991, 12). He mentioned the possibility of employing more active measures, especially for youth, but he warned against the possible high costs of such an endeavour and the delay this might cause in finding a permanent solution to unemployment (Madsen 2005, 191-192). As one government official recalled, “the bourgeois government had not fallen in love with activation, but they also could not stand to see people hanging out on the street corner” (Torfing 2004, 127).

The Conservative-Liberal government operated with a two-pronged position on unemployment. It saw the need to maintain the qualifications of the workforce until the
next up-swing in the economy, but it also believed lower compensation would push people into jobs. This vision was, however, not shared by the Social Democrats, who were in favour of training and education measures for the unemployed but were against the idea of lowering benefits or wages. Reacting to Poul Schlüter’s opening speech, the leader of the Social Democrats, Svend Auken, attacked the idea that lower benefits would do anything to change the unemployment rate, arguing that in the early 1970s, when benefits were just as high, unemployment was low (Folketing 1991, 135-136). The political division meant that a major reform could not get off the ground, as every proposal offered by the Conservative-Liberal government included cuts to benefits, something the Social Democrats would not support.  

5.4.2 Roadblock II: Disagreement between the Ministries of Finance and Labour

Another roadblock to reform was a difference in perspective between the Ministry of Finance and the Ministry of Labour on labour market policy. For the most part, this difference arose because the concept of structural unemployment and the accompanying OECD-inspired solutions were more quickly accepted by many of the top officials in the Ministry of Finance. As one Finance official said of OECD labour market reports, “it is evident that [these reports] were supported by the Danish experience of the 1980s. The reports had the effect that it was difficult to formulate a contrary perspective” (Torfing 2004, 159, my translation).

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30 For a summary of the multiple attempts at major reform, see Green-Pedersen (2002, 120-22).
The Labour Ministry, on the other hand, did not as quickly take up a structural policy approach to unemployment. Officials in the Ministry of Finance and scholars have noted that the Ministry of Labour were confining the Labour Ministry’s mission primarily to facilitating negotiations with the social partners and implementing the agreement (Interview 20; Torfing 2004, 91). The Labour Ministry has historically respected the role of the social partners in policy making, and the ministry has perceived the maintenance of the living standards of the unemployed to be one of their main purposes (Torfing 2004, 91). However, for some in the Ministry of Finance this approach to policy making needed to change if effective reforms for combating structural unemployment were to get underway (Interview 20).

What helped break this roadblock was a shift in the locus of authority in the area of labour market policy making within the government. According to Hall, as anomalies or policy failures highlight the limits of a current paradigm and debates over new ideas intensify, policy actors may look to a different set of actors to provide advice and explanation. In the Danish case, both Keynesian demand-management and monetarist supply-side economics had, in the eyes of some, “gone bankrupt” and, therefore, many central decision-makers began to be interested in the possibilities that lay in structural policy initiatives.\(^3\)\(^1\) The Ministry of Finance, the first department to show a keen interest in structural policies, “sat heavily on everything that became defined as structural policy” (Torfing 2004, 88). Therefore, when unemployment became defined as structural, labour market policy became redefined as a matter of “structural policy” and therefore, a matter

\(^3\)\(^1\) The structural policy paradigm got further wind in the sails because there was something in it for both Keynesians and monetarists. Keynesians saw, for example, structural policy as an important supplement to the macroeconomic policy, and monetarist saw structural policy as a mean to removing the barriers inhibiting free market mechanisms (Torfing 2004, 88).
for Finance. As Finance, this once comparatively small player, built up its capacity to undertake structural policy analysis (as discussed above), it turned into what is referred to today as a “super-ministry,” with a much larger role in the area of labour market policy (Torfing 2004, 87).

Contributing to this shift in the locus of authority was the presence of a “strong” Finance Minister, Henning Dyremose (Interview 21). Prior to being Minister of Finance, Dyremose had been Minister for Labour,32 which made him familiar with labour market policy, the operation of the ministry and the close ties between its civil servants and the labour unions (Interview 20, 21). When he left the Ministry of Labour for Finance, he took with him some of the responsibilities for labour market policy. His strength relative to other ministers, including his strength relative to his replacement in Labour, was an important element in this shift in authority, which in turn was an important step towards policy reform (Interview 20, 21).

During Dyremose’s terms as Finance Minister, top officials in the ministry developed a plan to establish a government commission on unemployment (Interview 20). The plan’s proponents believed that a commission which brought together the social partners and various government ministries would succeed in working out a deal for labour market reform. If the social partners could agree to the reforms, then the Social Democrats would be obliged to honour that agreement and support them (Interview 20). A commission would also give the Ministry of Finance greater influence in the process, as Finance and Labour would help form the commission’s secretariat (Interview 20). On 3 December 1991, Parliament agreed to such a commission to investigate the “structural problems of the labour market.”

32 Henning Dyremose was Labour Minister from 1986-1989 and Finance Minister from 1989-1993.
5.4.3 The Zeuthen Commission

The Zeuthen Commission, as it came to be known, consisted of representatives from both employer and employee associations and an independent chair, Hans Zeuthen who was an academic, a former member of the Danish Economic Council, and head of Statistics Denmark. In a break with past practices, the commission also included eight experts in labour market and social policy. Their role was to draw on their expertise and nominal non-partisan status to facilitate negotiations between the social partners. Political parties were not formally represented on the committee, but they played a role in anonymously appointing the committee’s policy experts.

Formally, the government was also not part of the committee and participated only through the Secretariat via the civil servants who represented the interests of their minister. Nevertheless, interviews with committee members tell how “the Secretariat exerted strong influence on the work in the committee because it prepared the main part of the technical analysis” (Schmidt-Hansen 2004, 21) and participated in committee discussions (Interview 22). Furthermore, while the Secretariat was made up of several ministries - Finance, Labour, Social Affairs, Economic Affairs, Tax, Education, and the Prime Minister’s Office – it was headed by a top civil servant from Finance who helped to negotiate key compromises (Interview 24, 25, 27).

The Focus on Structural Unemployment

The Zeuthen commission’s formal title was the “Commission on Structural Problems of the Labour Market” and this use of the term “structural” is significant. Despite the roadblocks to reform, there was one point on which the main participants
agreed: the problem of unemployment was structural and the solution therefore required a reform of labour market policies.

“Structural unemployment,” defined as “that part of unemployment which is not reversed by subsequent economic upturn” (OECD 1994a, 32), is, by definition, impervious to macroeconomic policies. Conceptualizing the problem this way, thus implied a particular kind of solution, one which required a focus on the structural aspects of the economy. By the early 1990s, the government, LO and DA had all accepted that the problem of unemployment was “structural,” and the commission would seek reforms appropriate for this problem definition.

At the same time, the concept of structural unemployment is so broad and ambiguous that the government, LO and DA came to the commission with very varied solutions. For example, when asked why LO agreed to join the commission, a representative replied that it was necessary in order to prevent the bourgeois government from lowering benefit levels, changing the wage structure, and altering the financing of the benefit system. LO hoped to focus instead on the education and training of workers (Interview 24).

**Wages, Benefits and Benefit Financing**

While the OECD interpretation of structural unemployment had an important influence in Denmark, the OECD’s recommendations for specific reforms had little impact. The lowering of benefit levels, for example, was not only not implemented; it was not even on the Zeuthen Commission’s agenda. The commission’s mandate was to assess the current arrangement of activation policies in Denmark, such as work offers and training offers, and to evaluate two proposed models for reforming the financing of the
benefit system (Udredningsudvalget Secretariat 1992a). The most likely reason benefit levels were not part of its mandate was that the government knew LO and the Social Democrats would not accept significant changes. Even the employers’ organizations did not press hard for lower unemployment benefits because they recognized that these benefits were in effect compensating for the absence of restrictions on short term layoffs which benefitted them (Torfing 1999, 22). Overall, as commission members said in interviews, benefits were a non-issue because the “political cost” of such a reform was “too high” (Interview 20, 25). The lowering of wages, particularly for low-skilled workers, was also not on the commission’s agenda, as this too was not politically feasible.

The OECD had recommended that if employees and employers paid a larger share of the costs of unemployment benefits, then the “insider-outsider” problem, which contributed to compressed wages, might be alleviated. This issue of financing reform was incorporated into the mandate of the Zeuthen Committee, but it was very controversial. Neither DA nor LO wanted to reform the financing system. It was the government that was interested in change, as it was paying the bulk of unemployment benefit costs (Schmidt-Hansen 2004, 21). Since DA and LO were not in favour, the experts’ views assumed a greater importance. At least one expert was strongly in favour of reforming the financing system, arguing for a more “performance-related” system, which would penalize employers who used it to manage periods of low demand or to support seasonal work (Interview 25, 27). The DA and LO representatives were not convinced, however (Interview 27). A proposal for labour, employers and government to each pay a third of the costs of unemployment benefits was not accepted. Instead, a small ear-marked tax on all workers was levied in 1993. In principle, this tax can be reduced if the costs of active and passive unemployment measures decrease, offering some incentive to “insiders” to
consider the needs of “outsiders” (Torfing 1999, 16). It is unlikely, however, that a small earmarked tax of this kind was what the OECD had in mind for combating this problem.

**Activation**

Activation was second major issue for the commission, but, unlike reforms to benefit financing, “a stronger focus on activation policy was well within everybody’s opportunity field given the common understanding of unemployment as a structural problem” (Schmidt-Hansen 2004, 22). All members of the commission agreed that the current system was using jobs and training offers primarily as a means to re-qualify the unemployed for passive benefits. As a result, offers were given late in the course of unemployment and the duration of an offer was determined more by rules of benefit requalification than by the needs of the unemployed (Udredningsudvalget Secretariat 1992, 51). The commission concluded that “it is therefore not sufficiently possible [in the current system] to adapt [activation] efforts to the wishes and needs of unemployed individuals.” Furthermore, “the present activation system does not make good use of the 9.3 billion crowns at its disposal for such measures” (Udredningsudvalget 1992, 51, my translation). The goal of the reforms was to make the system more “offensive” rather than “defensive,” by creating individual action plans, activating individuals sooner, and generally improving the quality and flexibility of the job and training offers through a decentralization of decision-making powers, which created a larger role for the social partners.

For several reasons, the role played by OECD ideas in the commission’s negotiations concerning activation was not particularly significant. OECD ideas about activation appear to have been overshadowed by other OECD ideas about cutting benefits
and wages. Interviewees more quickly recalled the OECD’s position on benefits and wages than on active measures (Interview 21, 25). One interviewee recalled OECD economists saying that active measures were “at best harmless” but for the most part a “waste of money” (Interview 39). Overall, the OECD’s positive support for active measures had not gotten through.

Other sources were more influential than the OECD in the Danish debate on activation. The Zeuthen Committee report drew lessons from Swedish and German activation and training systems (Udredningsudvalget Secretariat 1992b). Others have suggested that the ideas for activation were also inspired by a discourse on marginalization coming from “professional groups and left-wing sociologists” (Torfing 1999, 22). The Danes’ own positive experience with youth activation a couple of years prior to the Zeuthen Commission also undoubtedly contributed to a willingness to see all working-aged person activated.

The social partners in particular welcomed the idea of activation for the unemployed because it “strengthened their role in labour market policy making, which had been elevated from low politics to high politics” (Torfing 1999, 22). In recent years, the peak labour and employer organizations had lost influence, as wage negotiations were decentralized to the branch level. In this new model of labour market policy, the social partners stood to regain influence through the central role they were to play in the local and regional implementation of activation measures such as training and job offers (Torfing 1999, 22).

In summary, although OECD ideas made their way into domestic debates, they did not play a large role when it came time for serious negotiations inside the Zeuthen
committee. The OECD’s emphasis on structural unemployment can be credited with helping to pave the way for reform by providing a common problem conceptualization and a focus on a particular (those varied) set of labour market reforms as possible solutions. But domestic interests and ideas drawn from elsewhere drove the specific policy responses.

5.4.4 The Zeuthen Legacy

The Zeuthen Commission, which reported in June of 1992, marked the beginning of a significant shift in labour market policy in Denmark. By getting agreement on the main planks of policy, the commission, “made it possible for the Government in office and coming Governments to avoid critical issues that lay outside the consensus zone” (Schmidt-Hansen 2004, 22). For this reason, the legislative process following the Zeuthen Commission became largely a technical matter of transferring policy proposals into legal text, in which the social partners were not involved (see Torfing 2004, 255-266). Activation, the requirement for the unemployed to leave passive benefits and take-up training or a job offer, became a central pillar of what eventually was called the flexicurity model of labour market policy. Unemployment benefits, however, remained high. The financing of the benefit system was not radically altered, and control of the activation system was decentralized to a local level where the social partners had influence. While it took almost the entire decade to construct the flexicurity model, the trajectory for it was clearly set in the late 1980s and early 1990s, and for this reason, this period has been the focus of the chapter.
Perhaps the best evidence that the results of the Zeuthen Commission were not fleeting but had set Denmark on a new track, was that the new reforms were implemented not by the Conservative-Liberal government that struck the commission, but by the Social Democratic-led government that followed it. In January of 1993, the Conservative-Liberal government resigned suddenly as a result of political scandal and the Social Democrats took power. By this time, the Social Democrats had a new leader, Poul Nyrup Rasmussen, who brought in a new party platform, shifting the party closer to the centre (Marklund and Norlund 1999, 41). As a result, the Social Democrats received the support of the centre parties and were able to govern with a majority in Parliament, one of the first in many years. With a majority government, Social Democrats were able to implement the first round of reforms without significant parliamentary debate. Subsequent reforms were packaged in annual budgets and, therefore, were negotiated among party leaders prior to their introduction in Parliament (Larsen and Andersen 2009, 251).

After many years of resisting labour market reforms under the bourgeois government, it is therefore remarkable that the Social Democrats should be the party leading the reform process. Some scholars have wondered whether the change in policy position occurred because the Social Democrats were forced to do so by their coalition partners, particularly the Radical Liberal Party which was a proponent of the new paradigm. Yet, “interviews indicate that the leading Social Democratic ministers were in most instances in agreement with the coalition partner” (Larsen and Andersen 2009, 244). Other research has found little evidence to support an argument that they were catering to the interests of swing voters (Larsen and Andersen 2009).

Instead, the Social Democrats’ change in policy stance is better explained as resulting from the acceptance of new ideas. While the shift may seem sudden, the Social
Democrats had long been debating the problem of unemployment. One perspective within the party, held by members such as Svend Auken, party leader from 1987-1992, was that the unemployed primarily required income security, and in that regard, generous benefits and government-subsidized job offers were vital. It was this perspective that underpinned earlier labour market policies such as the Law of Job Offers in 1978. The other perspective, held by Poul Nyrup Rasmussen, Auken’s successor, was that the unemployed needed more than income security, and saw the need to shift resources from passive to active measures. This approach emphasized both the rights and duties of the unemployed, including the duty to take up work or training when it was available. Auken’s perspective was rooted in an understanding of the labour market which saw a role for the government in creating work for the unemployed when there was none in the public or private sector (Auken referred to these jobs as being in the “third sector”). Rasmussen’s perspective was that unemployment in Denmark was largely structurally determined and therefore the emphasis was placed on motivating and/or training the unemployed for regular employment (see Torfing 2003, 133-139 for the evolution of ideas within key Social Democratic documents).

With Rasmussen at the helm of the party in 1993 and the Zeuthen Commission demonstrating a widespread consensus about the need to deal with structural unemployment through activation, the Social Democrats embraced this second perspective that had been developing within the party’s ranks.

Unlike the policy paradigm shifts described by Hall, where one paradigm replaces another (i.e., Keynesianism to monetarism), the Danish case shows that actors can draw ideas from many places: from the old paradigm (i.e., the values and beliefs that underpin generous benefits, a compressed wage structure, etc.), the in-coming OECD neo-liberal
paradigm (i.e., the notion of structural unemployment and the need for altering the incentive structure), as well as other ideas (e.g., the Swedish system of active labour market policies). The Danes were, therefore, able to find a solution that helped them overcome the uncertainty of their situation while also appealing to existing beliefs and values.

5.5 Conclusion

This chapter has examined the extent to which OECD ideas influenced Danish labour market reforms of the 1990s. It has shown that the complexities of the OECD’s influence cannot be understood through a simple comparison of OECD recommendations and policy reforms. One needs to trace the flow of ideas through the processes of transfer, acceptance and impact, to reveal where and how ideas played a role in the policy process.

In this case study, many actors drew upon OECD ideas, particularly the Ministry of Finance, several economic think tanks, the largely business-related media and the employers confederation, DA. On the whole, policy learning was the mode by which ideas moved and were accepted. Though, as a number of actors accepted OECD ideas, reference to the OECD was also used to provide legitimacy to their policy arguments. Agents who made particular efforts to transfer OECD ideas were, quite noticeably, also agents who shared the OECD’s neo-classical economic perspective, suggesting, as some research has shown, that actors’ predispositions, including their personal and professional values and assumptions, influence how they regarded the OECD and its analyses.

The labour market policy changes that occurred in Denmark could be aptly described as a policy paradigm shift. Many of the elements of the process, as elaborated
by Peter Hall, were present in the Danish case, including anomalies which the current paradigm could not explain and policy failures which culminated in a sense of uncertainty that initiated a search for new ideas. Persistent unemployment, paired with a crisis of wage inflation, was the anomaly that caused many to question the previous Keynesian demand-side policies and the supply-side, competitiveness-enhancing strategies used in trying to bring down unemployed. Also, as Hall has argued, issues of authority were central to the process of paradigm change. As unemployment became defined as structural, the Finance Ministry took a greater role in labour market policy analyses. The ministry’s key role in instigating and shaping the negotiations of the Zeuthen Commission is also evidence of this newfound influence.33

Unlike the process described by Hall, in which one paradigm replaces another (e.g., Monetarism replaces Keynesiaism) the paradigm from the OECD did not become the new paradigm in Denmark. Instead, a new model, drawn from labour market ideas old and new, was created. The “new” idea of structural unemployment, as it became more widespread, set attention on the need for labour market policy reform. As has been noted by several ideational scholars (e.g., Goldstein and Koehane 1993; Sikkink 1991) when ideas provide a “focal point” or common ground like this, they can help increase the opportunity for collective action. In this case study, the ambiguous nature of the concept

33 Larsen and Andersen take another line of evidence as proof of a paradigm shift. They argue that the new paradigm generated a “lock-in” effect comparable to institutional path dependency: “Given the diagnosis that unemployment was structural, policymakers became more and more worried about inflation pressures as unemployment began to decline... Therefore, harsher and harsher policies seemed to be needed, and they were also less difficult to legitimate. The reduction of the duration period from 8.5 years to 4 years was probably not a master plan from the outset, but as unemployment declined, it was felt more and more necessary...The structural paradigm also had a great impact on how evaluation results were interpreted. The numerous evaluation reports of the 1990s found it difficult to prove any positive employment effects of activation... However, this never led to a questioning of the underlying diagnosis... Rather, the dominant logic was that if the ‘medicine’ did not work, then a larger ‘dose’ was needed (Larsen 2002). This is in perfect accordance with Hall’s (and Kuhn’s) theory of how paradigms work” (2009, 252-3).
of structural unemployment made it easier for all actors to see opportunities to move policy in a way that appealed to their other values and beliefs.

Apart from the diagnosis of structural unemployment, many OECD ideas had little or no impact on the specific policy reforms, which conforms to what ideational scholars have said about the need for new ideas to “fit” with pre-existing beliefs and values. The findings in this case are also consistent with the research on reforming the welfare state which shows that the way power and accountability are distributed among policy actors can be important factors shaping the policy process. In Denmark, convention dictated that the social partners should reach consensus before undertaking major reforms. Thus, the labour unions’ concern with maintaining a high living standard prevented OECD recommendations for lower benefits and increased wage disparity from getting off the ground. The social partners also fought any attempts at increasing their share of the cost of unemployment benefits (for the OECD’s assessment of Denmark’s follow-through, see Table 5.2).

**Table 5.2 OECD Job Study Recommendations and Assessment of the Follow-through for Denmark (1999)**

<table>
<thead>
<tr>
<th>Unemployment and Related Benefits</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Replacement Rates</strong></td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td><strong>Shorter Duration of Benefits</strong></td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td><strong>Longer Waiting Periods</strong></td>
<td>No action taken</td>
</tr>
<tr>
<td><strong>Shorter duration of unemployment before participation on ALMPs is required</strong></td>
<td>No action taken</td>
</tr>
<tr>
<td><strong>Taxes and Social Security</strong></td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td><strong>Reduction in Taxes on Labour Income – Overall</strong></td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td>Contributions</td>
<td>Targeted Reduction on low Incomes – Income Taxes</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td><strong>Wage Formation and Industrial Relations</strong></td>
<td>Wider Wage Distribution or Abandon Indexing</td>
</tr>
<tr>
<td></td>
<td>Modify Minimum Wage</td>
</tr>
<tr>
<td><strong>Active Labour Market Policies</strong></td>
<td>Reform or Abolish Re-Qualification via ALMPs</td>
</tr>
<tr>
<td></td>
<td>Integration and Restructuring of ALMP Activities</td>
</tr>
</tbody>
</table>

Source: OECD 1999b
Chapter 6
THE CASE OF CANADA

Like Denmark and Sweden, the proportion of Jobs Study recommendations that applied to Canada’s labour market policies was roughly at the OECD average. Like Denmark, but unlike Sweden, Canada followed through significantly on the Jobs Study recommendations. As this chapter will demonstrate, though, at the time of the Jobs Study’s release the thinking of many policy agents in Canada was already in line with the OECD’s approach to labour market policy. As a result, the analyses and recommendations of the OECD were largely employed in policy debates as sources of endorsement or legitimacy for policy reforms agents already knew they wanted to take. Therefore, although the OECD was invoked by government and business groups in policy debates and by civil servants in bureaucratic struggles, policy learning from the OECD was not the main factor determining the shape of reforms in Canada in the mid-1990s. Rather, it was domestic policy imperatives, especially the dominant objective of deficit and debt reduction. OECD ideas that fit with that deficit-cutting agenda thus stood a better chance of being implemented. Yet, even reforms which were both in line with OECD recommendations and the government’s deficit cutting agenda had to be reversed due to political pressures. Pressure from constituents organized around past policies and the strength of regionally concentrated interests played a key role in these reversals.
6.1 The Welfare State and Labour Market Policy Reforms in Canada

Canada is a parliamentary democracy of roughly 29 million persons (in 1996) with a federal system of ten provinces and three territories. At the national level, the Canadian Parliament is a bi-cameral legislature in which members of the lower house, or the House of Commons, are elected through a system of single member plurality. Historically, this has produced majority governments. The upper house, the Senate, is appointed by the Prime Minister and while providing a source of second sober thought, it, on the whole, passes the legislation that originates in the House.

Unlike Denmark and Sweden, the governing parties in Canada, the Liberals and the (Progressive) Conservatives, have occupied the centre of the political spectrum, with the Liberals leaning more to the left and the Conservatives more to the right. Sometimes referred to as “brokerage parties,” their platforms have shifted over time with the political winds. A social democratic party, the New Democratic Party (NDP), has long had a presence in parliament, but has not governed. The 1993 federal election, however, shook up this two and half party system. The Progressive Conservatives, who had governed for the previous nine years, won only two of the 295 seats in the House, and the Liberals, with 177 seats, formed the government. Reflecting the regional nature of politics in Canada, the relatively new protest party of the right, the Reform Party, with its base in Western Canada, won 52 seats. Another new party, the Bloc Québécois, which advocates for the people of Quebec and has close ties to the Quebec separatist party, the Parti Québécois, won 54 seats.

At this time, support for Quebec separation from Canada was high, given in part to two recently failed attempts at constitutional reform (the Meech Lake Accord in 1989
and the Charlottetown Accord in 1992), both of which attempted to constitutionally recognize Québec’s distinct identity within Canada. As well, in 1995, a referendum was held in the province of Quebec on whether it should secede from the rest of Canada. The vote was close: 49.42% voted “yes” to secession.

The Canadian welfare state has been characterized as a “liberal” welfare state (Myles 1996, 121; Esping-Andersen 1990). Liberal welfare states are based on the principle that public intervention be used only after family and markets have failed, and even then, benefits are often means-tested and modest. The Canadian welfare state, however, has a mix of program types including universal programs such as health care, social insurance programs such as unemployment insurance (providing sickness, parental and maternity benefits as well) and old age security, in addition to means-tested programs such as social assistance. Nevertheless, compared to countries like Denmark and Sweden, the Canadian welfare state is typically less generous and provides fewer government-run or government-subsidized programs and services.

A two-tiered system looks after the unemployed: unemployment insurance and social assistance. The former is the responsibility of the federal government, while the later is under provincial jurisdiction. Replacement rates for unemployment insurance are in the middle of the OECD range, and Canada does not particularly stand out in terms of maximum duration for UI, though the OECD has noted that Canada, along with Sweden and the UK, allows individuals to qualify for a substantial duration of benefits with only a brief employment spell (OECD 1994a, 71).

Prior to the UI reforms of 1971, the replacement rate for a person without dependents was 37 – 43 percent. In 1971, the system became more generous as the replacement rate rose to 67 percent. The 1971 reforms also added a feature to the system
that endures to this day: regional variation in benefit duration. In Canada, the length of 
the qualifying period for UI (that is, the minimum number of weeks of employment 
required to qualify for benefits) and the maximum duration of benefits depend on the 
unemployment rate in the UI region where the claim is filed. In areas with above-average 
rates, the qualifying period is shorter and the benefit duration is longer. The 1971 reforms 
also added sickness, disability and maternity benefits to the insurance system (OECD 
1994a, 67-8).

From the late 1970s on, the generosity of the system was reduced several times. 
When the Liberals entered office in 1993, the Conservative government had recently 
made UI reforms a part of their Labour Force Development Strategy. The replacement 
rate had been reduced to 57 percent of insurable earnings, eligibility requirements had 
been increased to 10-20 weeks of work depending on local unemployment rates, and 
benefit duration had been shortened (OECD 1994a, 66-67). The Conservatives also 
imposed a benefit penalty on those who had quit their jobs or lost their jobs because of 
misconduct (OECD 1991a, 117; OECD 1993a, 55).

The UI system is fully financed by contributions from employers and employees, 
though prior to 1990 the federal government also contributed. By eliminating the federal 
contribution, it is estimated that the government saved approximately $2.7 billion that 
year (Cameron 1996, 71). The contributions are kept in a UI account, so that, ideally, the 
contributions and payout can be balanced over a business cycle. As will be discussed 
later, in the late 1990s a surplus was allowed to grow in the account which was used to 
pay down the deficit.

While education is a provincial jurisdiction, the federal government has acquired a 
significant role in adult training, including active measures for the unemployed. Provision
is made for some of the UI funds to be used for “developmental uses” such as training, worksharing, job creation and self-employment assistance (OECD 1994a, 74). However, these programs are only available to those who meet the eligibility requirements for UI benefits thus, other training programs have also been developed using funds from general revenue.

Nevertheless, much of the spending on the unemployed by the federal government has gone towards “passive” benefits, rather than active measures. In the early 1990s, Canada was spending a larger share of its GDP on unemployment compensation than the OECD average; and only about a third as much on active measures (or about two-thirds of the OECD average for active measures) (Myles 1997, 126). One aspect of the Conservative reforms in the late 1980s was to shift spending towards active measures by increasing the funding for training that came from the UI fund. Federal expenditure on training increased from $1.62 billion in 1989 to $2.36 billion in 1992-93 (Haddow 1995, 354).

For those ineligible for unemployment insurance, there is social assistance which is run by each province. These benefits are not related to former pay, but are means-tested. As this is an area of provincial jurisdiction, payments vary by province and whether or not one has dependents; however, the amounts are very modest.

There are a number of characteristics that make the Canadian labour market quite “flexible.” Compared to other OECD countries, employment protection (i.e., the rules governing the hiring and firing of workers) is quite low (OECD 1994f, 72). There is also a high degree of wage flexibility, i.e., responsiveness of aggregate real wages to unemployment in Canada are typically close to the median across OECD countries (OECD 1996a, 69). However, wage disparity is also high. The incidence of low pay is
much higher in Canada than in other OECD countries, and real wages actually fell for low-skilled workers in the 1980s, which did not occur in Denmark or Sweden (OECD 1996a, 96).

Given these trends it is perhaps not surprising that, unlike Denmark and Sweden, unions do not play a strong role in the policy-making process nor a role in the provision of unemployment insurance in Canada. The Conservative government did attempt to get labour and business to be more involved in training policy. In 1991, the Canadian Labour Force Development Board (CLFDB) was created, composed of business and labour, training providers, and representatives from employment equity groups (e.g., women, those with disabilities, visible minorities, and aboriginal people). The board’s function was to provide advice to the federal government concerning expenditures and programs in the training field (Sharpe and Haddow 1997, 5). A network of provincial and local Labour Force Development Boards was also established. As the 1990s progressed and it became apparent that most boards were proving to be unsuccessful, the boards were terminated (Klassen 2000a, 22).

Furthermore, union density in Canada is relatively low compared to other OECD countries. In 1990, as a percentage of all wage and salary earners, 35.8% were trade union members in Canada, compared to 71.4% and 82.5% in Denmark and Sweden, respectively (OECD 1994f, 10). Furthermore, there has been no system of central wage bargaining as in many European countries. To the extent that collective bargaining takes place, it predominately occurs at the enterprise or plant level (OECD 1994f, 10). Therefore, national bodies like the Canadian Labour Congress, the Business Council on National Issues or the Canadian Chamber of Commerce do not bargain on behalf of their
members, but instead act at umbrella organizations, representing their members in public debates and lobbying governments.

Another somewhat unique feature of Canada is that unemployment rates have historically (i.e., 1950s and 1960s) been higher than in other OECD countries. Therefore, unlike Denmark, the level of unemployment in the early 1970s in Canada was not unprecedented; though, in the late 1970s it did reach new heights, rising to 8.4 percent in 1978. The recessions of the 1980s and 1990s took unemployment even higher. In the early 1980s it peaked at 12 percent (1982) and in the early 1990s it rose to 11.4 percent (1993).

However, rising unemployment, a recession, and growing support for Quebec separation (as mentioned earlier) were not the only major issues facing politicians in the early 1990s. The fiscal capacity of the government was under strain. In 1993-94, the federal deficit was $42 billion or 6 percent of GDP (Department of Finance Canada 1995b, 8). Gross public debt rose from 90.2 percent in 1992 to 101.6 percent in 1995 (OECD 2010). Of OECD members, only Belgium and Greece had higher debt levels. It was in this context that the OECD made its recommendations.

6.2 OECD Analysis and Recommendations for Canada

Given Canada’s already liberal labour market, no recommendations were made for reforming employment security provisions or increasing work time flexibility. Instead, emphasis was placed on reforming the unemployment insurance (UI) system and

\[34\] In the budget of 1995, net public debt was given. It was $508 billion or 71 percent of GDP (Department of Finance Canada 1995b, 8).
strengthening active labour market policies. Labour costs, specifically the level of payroll
taxes, were also of concern to the OECD (OECD 1998a).

The recommendation to reform UI was not new. The 1978 OECD Economic
Survey for Canada, for example, argued that the UI reforms of 1971 made Canada’s
unemployment benefits “the most generous in the world” and were responsible for
increasing unemployment by some ½ to 1 percentage points (OECD 1978, 37). Though
some of the generosity of the UI system was reduced by the Conservative government in
the early 1990s, the reforms had not gone far enough, according to the OECD.

One aspect of particular concern to the OECD was the regional variation in the UI
system. In high unemployment areas, UI was seen as providing “a substantial economic
return” for only “relatively brief periods of employment” (OECD 1994a). Furthermore, it
was argued that in recessions, when UI expenditures are bound to increase, allowing
benefit duration to rise with the regional unemployment rate only further increased costs
(OECD 1994a, 74). As well, the UI system was impeding labour market mobility between
regions, according to the OECD (OECD 1994a, 92).

The OECD believed that the Canadian UI system had become a source of
“permanent income support for frequent users” (OECD 1994a 90). To some extent, this
was related to the problem of regional variation in the UI system, in that frequent users of
UI were concentrated in a number of regions (i.e., the Atlantic Provinces and Quebec)
where unemployment was high and work was often seasonal. The OECD argued that
“communities within Canada may have adapted to the parameters of the UI system,” and
that firms and industries with “unstable employment patterns” were being subsidized by
other firms and industries with more stable employment (OECD 1994a, 91-93). The
OECD, therefore, recommended ending or reducing the regional variation of UI benefits and introducing experience-rating\(^\text{35}\) (OECD 1996a, 67).

Proper use of active labour market programs (ALMPs) was another main recommendation of the Jobs Study which applied to Canada. While acknowledging that the Labour Force Development Strategy introduced by the Conservatives in 1990 did reallocate some spending from “passive” to “active” labour market policies, the OECD argued in 1994 that “there is clearly considerable scope for further reallocation” (OECD 1994a, 106). Yet, unlike the UI recommendations, the discussion of ALMPs in the Economic Surveys was riddled with caveats. For example, a shift in spending to ALMPs did not require, according to the OECD, “an aggregate expenditure increase” and indeed, “could occur in conjunction with a decline in total expenditure” (OECD 1994a, 106).

Furthermore, the OECD argued that “the results of active measures have very much been ‘hit-or-miss’” (OECD 1995b, 62). Thus, it was recommended that resources be devoted to “programs which have produced results.” Such programs were, however, only cursorily discussed (OECD 1994a; OECD 1995b). Moreover, the OECD noted in the 1994-95 Survey that “there is little compelling macroeconomic evidence to indicate that, in aggregate, active job measures have had a measurably positive impact on the labour market” (62).

Further weakening the recommendation for a shift to more active labour market measures, was the policy trade-off that the OECD set up between ALMPs and payroll taxes in the 1994-95 Survey. The OECD argued that,

\(^{35}\) Experience rating is a method for adjusting premium rates so they reflect the employer’s (i.e., employer side experience rating) or employee’s (employee side) claim history. There is also benefit-side experience rating in which repeat users of UI have their benefits reduced rather than their premiums increased. For more on experience-rating see Nakamura and Diewert 2004, 10-12.
“there is strong evidence at the macroeconomic level that payroll taxes have had an adverse effect on employment. This would suggest that the opportunity cost of any further expansion in the total resources devoted to active labour market policies (for example, from savings in the UI system) should be carefully assessed against the more certain benefit from lower payroll taxes” (OECD 1995b, 62).

Overall, the OECD Economic Survey provided a rather conditional recommendation for the use of ALMPs; and very likely, the weakness of the recommendations reflected the OECD’s internal debate between a more social investment-oriented approach to fighting unemployment, largely espoused by its labour and social affairs directorate (DEELSA), and the more neo-liberal orientation of the OECD’s Economic Department. This tension within the OECD is discussed in chapter 2.

Table 6.0 OECD Analysis and Recommendations for Canadian Labour Market Policy

- Reform unemployment insurance system
  - Reduce regional variation of, and dependence on, unemployment insurance, including:
    - tightening eligibility conditions;
    - lowering replacement rates;
    - shortening the duration of benefits.
  - Introduce experience rating of employment UI premiums
  - Strengthen work availability conditions
    - Passive income support after about six months under UI should be made conditional on accepting, if offered, a place on an ALMP.

- Reform and/or enhance ALMPs
  - Concentrate on those measures which evaluation studies suggest produce the most positive results.
  - Adopt a more pervasive “evaluation culture” towards ALMPs
  - Ensure a “one-stop” shop where benefit payments, employment placement and referral to ALMPS are all handled.

- Reduce payroll taxes

6.3 The Transfer of OECD Ideas

Political and economic events in Canada in the early 1990s had created an environment that seemed optimal for policy ideas from the OECD to make an impact on policy. The unemployment rate reached over 11 percent in 1992 and 1993 (OECD 1994a, 22). The Liberal party, which had campaigned in the fall of 1993 to improve the economy and create jobs, won a majority in the House of Commons, and Lloyd Axworthy, Minister for the new department responsible for labour market and training policy, Human Resources Development Canada, announced in January of 1994 a major review of social security. From the perspective of one senior official in HRDC, the Liberal Prime Minister, Jean Chrétien, “ran for office on a ‘jobs jobs jobs’ platform but had absolutely no idea what to do with it. Absolutely none. And the public service, when he was elected, had no idea” (Interview 15). Therefore, if what was required for OECD ideas to have an impact on policy was a policy crisis or failure, a need for new ideas, and political will to make reforms, then OECD ideas stood a good chance of having influence.

The next section examines the ensuing political debate on unemployment, and asks to what extent OECD ideas entered into these debates, who domestically espoused these ideas and what modes and conditions facilitated this transfer.

6.3.1 Government Departments

Two government departments, HRDC and Finance were the main players in debates within the civil service concerning the shape of labour market policy in the mid-1990s. Documents and interviews suggest both departments were well aware of and actively considering OECD ideas. However, the two departments were driven by different
agendas. As a result, they showed interest in different OECD ideas and used the OECD in different ways. Broadly speaking, HRDC was much more interested in the OECD’s recommendations around active measures and hoped to learn from the OECD, but also use its ideas to legitimize reforms on that front. Finance on the other hand, was on the front lines of the government’s deficit cutting activities and was primarily interested in seeing reforms to UI benefits. While there is little evidence Finance needed the OECD as a source of legitimacy for internal debates, the OECD was referenced heavily in public documents to help bolster the position of the department.

Human Resources Development Canada

The central aim of the Social Security Review announced by the Minister for HRDC was to find out “how to improve opportunity and access to jobs for Canadians” (Human Resources Development Canada 1994b, 11). HRDC, with the aid of a “task force” of experts, published Improving Social Security in Canada: A Discussion Paper (also known as “the Green Paper”) in October of 1994. This Green Paper, together with other reports from Finance and Industry, made up the government’s main policy documents in 1994 or what were collectively titled the Agenda: Jobs and Growth series.

The Green Paper and its supplementary papers referenced the OECD, including the Jobs Study, frequently but particularly when discussing the topic of ALMPs and their effectiveness. As one supplementary paper stated, the Jobs Study was one of three “key” sources of recommendations for reforming employment development services (Human Resources Development Canada 1994a, 13). The OECD was used to support the idea that “general” and “off-the-shelf” ALMPs do not work, but they can prove successful if there
is “an investment in up-front assessment and counselling” of clients (Human Resources Development Canada 1994a, 13). Targeting direct employment initiatives (such as earnings supplementation) at young people and the long-term unemployed, it was noted, was also recommended by the OECD Jobs Study (Human Resources Development Canada 1994b, 37).

The fact that OECD reports made their way into HRDC documents is not surprising given that HRDC civil servants were actively involved in OECD committees, including the Employment Labour and Social Affairs Committee (ELSAC) and its working groups. In the mid-to-late 1990s, a civil servant from Canada chaired ELSAC (Interview 14), and in later years, another civil servant acted as vice-chair of ELSAC and chair of the Working Group on Social Policy (Interview 11).

In addition, HRDC chose to lend two of its employees to the OECD Secretariat to help work on the Jobs Study. A senior civil servant in HRDC recalled that, “When the OECD Jobs Study was being done, I wanted to make sure that the government of Canada was able to absorb it, so I lent two people to the OECD Secretariat from my group… I think Canada had more nationals working on that Jobs Study than any other country at the OECD” (Interview 14). Though the employees sent to the OECD to work on the Jobs Study believe their secondment was in lieu of sending funds, and thus a cost-saving measure by their department, it nevertheless was an indication that HRDC wanted to be involved in the process (Interview 12, 13).36

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36 These employees sent to the OECD also indicated that their tasks at the OECD were directed by the OECD Secretariat and that they did not act as representatives for Canada nor as official conduits between the OECD and officials back home (Interview 15, 52). Therefore, the senior HRDC official’s comment that he wanted the Jobs Study to be “absorbed” would have been done informally.
These opportunities to meet and work with the OECD provided the human links that allowed the transfer of ideas, but understanding how ideas move also requires considering the forces that push or pull those ideas along. A number of modes of transfer were at work in HRDC.

Interviews with HRDC officials indicate that their relationship with the OECD facilitated policy learning. HRDC officials emphasized that they would “instinctively” turn to the OECD to identify specific policy initiatives that other countries had or were trying. For example, they looked to Europe to better understand how to handle the challenges resulting from an aging population (Interview 11), and they examined the Nordic countries to learn more about ALMPs (Interview 14). The OECD provided the opportunity for “comparing our notes with other countries, clarifying our thoughts and structuring our ideas better” (Interview 14). Another senior official explained that, for him, the best use of the OECD was to have it “generate studies that would help us fill in gaps in knowledge and improve our understanding of issues where our understanding was poor” (Interview 15). In other words, civil servants used the OECD strategically in their quest to learn about policy issues they felt important. Sending employees to the OECD to help with the Jobs Study, for example, was one such way this interviewee helped support the OECD in its work on a topic that was of interest to HRDC.

However, HRDC officials were also clear about the limits to how much they could learn from the OECD. OECD analyses were not always sensitive or tailored to the particularities of the Canadian context. As one HRDC official said,

“Our experts in this area are top notch in the world...[and] capable of going beyond the analysis of [the Jobs Study]. When you do multiple country analysis you can’t over specialize. But when you’re in the country and you have people who are designing...delivering....evaluating the programs, you’ve got an army of people who know inside and out all the processes of the policy. While at [the
OECD level] you’ve got high level discussion and they don’t recognize the difficulty in implementing the policy in the field” (Interview 14).

Another civil servant argued that few countries in the OECD have the many layers of government and regional differences that Canada has, and the OECD Secretariat and other member states were not well equipped to consider these additional dimensions in their calculations of the costs and benefits of policy reforms (Interview 11). Overall, while the OECD provided an opportunity for learning, policy ideas needed to be refined for the Canadian context to be of real use. As expressed by one HRDC civil servant: “I think that the main thrust [of the OECD] is the right one but it needs to be polished” (Interview 14).

Policy learning was just one mode of transfer mentioned by civil servants at HRDC. Another mode, even more prominent in discussions with interviewees, was the use of the OECD as an external source of policy legitimation. As one senior civil servant in HRDC explained, “there was an instinctive position that we held … which I inherited from my predecessor, which was: if you knew what you wanted to do domestically and you could get the OECD to endorse a similar policy, you then had a better chance of persuading the cabinet, parliament and the public” (Interview 15). Further, civil servants did not passively wait for that endorsement. An HRDC civil servant retold how, in the late 1980s, he was able to persuade the OECD (in part by providing additional funds to the OECD) to do analysis on the effects UI premiums were having on employment. His belief was that premiums were too high and hurting employment in Canada. In this way, policy analysis that “originated” in Canada came back into Canadian debates as evidence from the OECD, a credible, external authority. As many interviewees have noted,
bringing an OECD-endorsed policy idea to a minister provides assurances to that minister that other governments are thinking the same thing (Interview 14, 15, 16).

**Department of Finance**

*A New Framework for Economic Policy* (also known as the Purple Paper) was one of the main policy documents of the Department of Finance in the mid-1990s. Like HRDC’s Green Paper, this report also frequently referenced OECD work, referring to it no less than 19 times in its 87 pages. OECD comparative statistics, the *Jobs Study* and a 1992 OECD study called *Technology and the Economy: The Key Relationships* were extensively used to bolster general arguments about the positive role of new technology (see 29, 33, 41, 62-64), and the need for greater “adaptation” by individuals, employers and governments (see 41, 47-48, 50). On the topic of unemployment, a quote was taken from the 1994 Communiqué of the G7 Summit in Naples. The excerpt noted that “following the analysis of the OECD” governments have identified actions they need to take to reduce unemployment such as reducing “labour rigidities” and using ALMPs (Department of Finance Canada 1994a, 38). According to the Purple Paper, this communiqué was evidence of a “near universal consensus among industrial country governments regarding both the nature of the jobs problem and the policy directions needed to address it” (Department of Finance Canada 1994a, 37).

Like their colleagues in HRDC, Finance officials were active in the committees of the OECD such as the EDRC and WP1, and like HRDC they sent an employee to help with the work of the *Jobs Study*. While the relationship between the OECD and Finance did lead to some policy learning and policy legitimizing, Canadian Finance officials also
suggest that the OECD’s influence was limited because it did not offer fresh ideas for labour market policy reforms in Canada.

One Finance official described the relationship as “productive” and “useful,” particularly because of the opportunity it afforded for international comparisons but also because of the reiterative nature of the country review process. He emphasized that the value of the relationship with the OECD was in the development of policy details, not in developing an overall policy approach because this was something Finance already shared with the OECD (Interview 18). Another official recalled that use of the OECD’s work was commonplace in the department, as there was an insistence in the department that civil servants examine the latest OECD analysis when beginning their own analyses (Interview 11).

On the whole, however, providing an opportunity for policy learning was not what most interviewees in Finance emphasized most about the OECD. Rather, two other sentiments were more prominent. Firstly, officials emphasized that some OECD recommendations were not largely debated because they are “old” ideas which had been in Canadian policy debates for some time. For example, the recommendations to end the regional differentiation of UI benefits and to introduce experience rating to curb frequent users of UI had been circulating in policy circles in Canada long before the Jobs Study (Interview 11, 18). For example, both the Royal Commission on the Economic Union and Development Prospects for Canada (The MacDonald Commission) and the Commission of Inquiry on Unemployment Insurance (The Forget Commission) of the 1980s recommended that regional differentiation of UI be ended (see Canada 1985, 815; Canada
1986, 115). The MacDonald Commission further recommended that experience rating be established on a firm-by-firm basis (1985, 815).³⁷

However, it was not just that OECD ideas were old which reduced learning, it was that Finance officials had already come to accept many of the ideas that the OECD was espousing, according to one member of the department (Interview 17). As a result, during country reviews, Finance officials did not worry about negotiating every word in the Economic Survey because they were already “in line” with OECD thinking, and at times, welcomed the criticisms (Interview 17, 18). In this way, the OECD’s ideas functioned like “propaganda” (Interview 17), or as an endorsement for actions the government already wanted to take.

Civil servants in Finance also noted that the OECD did not adequately consider the political or social feasibility of recommendations which limited their usefulness. For example, a Finance official explained that unemployment insurance, in addition to its economic functions, had a “social” function of wealth redistribution. UI reform, according to this official, therefore, needed to respect both functions in order to be politically viable. The OECD’s proposal for introducing experience-rating into the UI system limited this redistribution, yet no alternative policy for redistribution was put forth to fill that function. For this reason, according to this official, experience-rating was not fully embraced (Interview 18). Clearly, Finance officials were very much aware of and engaged with the OECD’s analyses and recommendations, but were conscious of the recommendations’ feasibility.

³⁷ Experience rating was not recommended by the Forget Commission (Canada 1986, 124-125).
In sum, OECD ideas were present and quite familiar to civil servants in both Finance and HRDC because civil servants either “instinctively” consulted or were directed to stay on top of OECD work. But the sense that OECD and Canadian officials were already “on the same page” in their general policy approach led some civil servants to see the OECD more as a source of endorsement than as a place for policy learning. The ideational alignment also meant that OECD recommendations were nothing new. As one civil servant said, “if you start looking into the filing cabinet of advisors to government in these fields at the time, you would have found similar products [to the OECD’s]” (Interview 14). To the extent that there was learning, for those in Finance, it was largely occurring at the level of policy details (e.g., experience rating), while in HRDC it was the concept of active measures that was of particular interest.

### 6.3.2 Parliament

Reference to, and use of, the OECD extended beyond the bureaucracy. A scan of House of Commons debates from 1994 to 1996 reveals that the OECD was typically mentioned a couple times each week in a wide range of debates. Most often, parliamentarians referred to OECD economic forecasts and comparatives statistics, rather than analyses and recommendations, and without naming specific OECD studies or reports (see Loubier 1994; Lalonde 1996; Bevilacqua 1996).

On the whole, details of the OECD Jobs Study or even the OECD Economic Survey for Canada were not debated in Parliament. All political parties (e.g., Bloc Québécois and Reform Party) referred to the OECD from time to time to support their

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38 This point that the OECD is largely used to craft conventional wisdom in the Canadian context has been well argued by Andrew Jackson 2009.
point of view (see Breitkreuz 1994; Lalonde 1996). However, the OECD was used primarily by the governing Liberals as a source of external, international endorsement for their policies. The Jobs Study, for example, was used by the Liberals to lend support to their reforms. When the Minister for HRDC returned from the OECD Ministerial meeting that launched the Jobs Study, he said, “…the approach that we have been pursuing in terms of looking at the broad range of programs that can improve employment opportunities for Canadians was one that was broadly and strongly endorsed by all the other member countries of the OECD. This shows that we are on the right track…” (Axworthy 1994). Following the G7 Jobs Conference in March of 1994, Finance Minister Paul Martin said that he “was delighted to see that the measures we took in our budget—that is, our approach to job creation, lower payroll taxes, unemployment insurance reform— are exactly the same as those recommended by the OECD” (Martin 1994). By linking their reforms to this international study, it appears the Liberals were attempting to provide added legitimacy to their policy plans.

6.3.3 Think Tanks, Research Centres and Academics

Although the OECD is formally an inter-governmental organization, its operations penetrate into Canadian civil society as a result of its visits with research centres and think tanks, its engagement with individual academics and experts who are hired as consultants to the OECD, and its organized conferences.

The OECD has contact with “prominent think tanks,” when it makes its several-day fact finding mission to Canada prior to drafting the country review (Interview 1). OECD Secretariat staff will visit, for example, the Centre for the Study of Living
Standards, C.D. Howe Institute, and on occasion The Fraser Institute and Caledon Institute of Social Policy (Centre for the Study of Living Standards 2007; C.D. Howe Institute 2007; Fraser Institute 2007; Caledon Institute 2007). However, documents produced in the early to mid-1990s by Canadian think tanks such as these and others, including the Caledon Institute, Institute for Research on Public Policy and the Economic Council of Canada, reveal a limited impact of the OECD. Such agencies used OECD-sourced statistics, but otherwise, there was little reference to OECD reports and analysis (see Battle and Torjan 1993; Caledon Institute of Social Policy 1993a; Caledon Institute of Social Policy 1993b; Economic Council of Canada 1992; Green 1994; Harris 1994; IRPP 1995; May and Hollett 1994). On the other hand, there is evidence, particularly in the Economic Surveys for Canada, of the OECD citing research from Canadian think tanks (see for example OECD 1993a, 130-134). More research is needed to fully understand this relationship between Canadian think tanks and the OECD, but it appears that ideational transfer is as much from Canadian think tanks to the OECD as vice versa. This would also be consistent with the views expressed by interviewees that OECD ideas are not new, but repackaged ideas from member states (Interview 14) and, for this reason, it is hard to tell who is influencing whom (Interview 18).

Individual Canadian researchers and economists also had contact with the OECD. For this study, a handful of key Canadian labour and public finance economists were contacted and all of them said they refer to OECD work regularly, but for different kinds of information (Economist 1, 2, 3, 4, 5, 6). One specified using the OECD primarily for its statistics and descriptive work (Economist 4). Only one found the OECD’s recommendations to be of value (Economist 6). A minority of them said they had had professional contact with the OECD, either acting as a consultant to the OECD, sitting on
an OECD advisory committee, attending OECD conferences as an invited guest, or engaging in email correspondence with the Secretariat (Economist 2, 3, 6; Centre for the Study of Living Standards 2004). One economist, summarizing the relationship between the labour economist community in Canada and the OECD, said that it is a small, yet influential minority in Canada who have contact with the OECD (Economist 5). Given what has been expressed in other interviews, that ‘influential minority’ may not only be influential in Canadian policy circles, but also within the OECD Secretariat. As one civil servant explained:

“You know those chapters [in OECD reports] are written by Canadians. They are under contract. When you get into a specific [policy] area, they [the OECD] seek an external consultant. They don’t have to be from the country but often by default they are because they want someone with a lot of insight. The Secretariat takes ownership and they will help shape it, but they will work with a Canadian. So it is a bit of a loop. The Secretariat takes ownership and then takes it to the Canadian community, who then will basically comment and react to a report from their own author” (Interview 14).

### 6.3.4 Labour and Business

As described in chapter 3, both labour union and employer associations in OECD member states have a formal consultative relationship with the OECD through their membership in TUAC (the Trade Union Advisory Committee) and BIAC (the Business and Industry Advisory Committee), respectively. In Canada, the Canadian Labour Congress (CLC), Confédération des Syndicats Nationaux (CSN) and the Canadian Chamber of Commerce, 39 are the lead labour and business organisations that hold this membership.

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39 These may not have been the members in the early 1990s.
This formal link with the OECD ensure that some labour and business groups in Canada were very much aware of the OECD *Jobs Study*. Both labour and business made reference to OECD ideas in policy debates of the mid-1990s, but used the ideas for very different purposes. For example, in a report on employability by the Canadian Labour Force Development Board (CLFDB), the business members of the board argued that Canadians were spending too much on “supporting people who are not working” and not enough on training and skills development. A reference to the OECD was used to support this assertion (Canadian Labour Force Development Board 1994, 51). Furthermore, a government task force set up in 1994 to consult on the issue of seasonal work and unemployment insurance reported that the Business Coalition on UI Reform believed UI premiums were a drag on employment growth. The Business Coalition cited the OECD *Jobs Study* as evidence (Working Group on Seasonal Work and Unemployment 1995, 76).

On the labour side, the *Jobs Study* also did not go unnoticed. In 1994, the Canadian Labour Congress (CLC) published a paper that closely compared the reports of the Liberal government’s *Agenda: Jobs and Growth* series, mentioned above, with reports by the OECD, particularly the *Jobs Study*. The report argued that “the ‘labour market deregulation’ agenda of the OECD, as spelt out most clearly in the recent *Jobs Study*, has come to dominate the recent thinking of the federal government” (Jackson 1995a, i). Among other things, the CLC argued against the OECD’s assertion that lowering payroll taxes for employers would encourage hiring. They also noted that skills mismatch in

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40 Which consisted of labour, business, training providers and equity group representatives.
41 The Business Coalition on UI Reform consisted of the Canadian Construction Association, the Canadian Federation of Independent Businesses, the Food and Restaurant Association and the Tourism Industry Association.
Canada was modest and that active labour market policies could have the negative effect of creating greater competition for available jobs, thus causing wages to fall. The CLC also strongly disagreed with the OECD that UI was creating disincentives to work (Jackson 1995a, 14-15).

Thus, both labour and business brought OECD ideas into domestic debates, but largely in partisan ways, with business groups using OECD analysis to support recommendations for greater training and lower UI premiums, while labour argued against the recommendations and analysis in the Jobs Study.

6.3.5 The Media

Canadian civil servants, members of the Canadian delegation to the OECD, even staff at the OECD Secretariat characterized the Canadian media as unlikely to provide detailed or front-page reporting of OECD events and publications (Interview 1, 8, 14, 17). A search through the national Globe and Mail newspaper from 1991 until 1996 shows that the OECD and its reports are covered around 5 to 10 times a month, with coverage rising and falling with the release of major OECD reports such as the Economic Outlook or Employment Outlook. Economic forecasts (e.g., Drohan 1991) or country rankings (e.g., Sheppard 1993) appear to get the most attention. Unlike Denmark, where OECD reports were featured in the politics sections of newspapers, Canadian coverage of the OECD was almost exclusively in the business section.

Some interviewees speculated on why the OECD did not receive a large amount of coverage in the media. A former Finance civil servant explained that, while the government used to hold press conferences when the Economic Survey for Canada was
released, that practice ended in the early 1990s, when the media showed little interest in covering the event. According to the interviewee, the media felt the OECD reports were not critical enough of Canadian policy (Interview 17). A similar sentiment was expressed by a civil servant in HRDC who noted that OECD reports “are not overly spectacular” in the sense that they do not always contain “new” ideas due to the involvement of the Canadian bureaucracy and Canadian think tanks in the process of developing the report. Thus, “the news is not always new” (Interview 14).

The Jobs Study, nevertheless, was fairly well covered, even making it to the front page of the Globe and Mail on June 6th (Drohan 1994). The “angle” taken by reporters was how this report was playing into the HRDC Minister’s Social Security Review and the Finance Minister’s deficit cutting agenda. The Toronto Star, for example, reported on the Jobs Study four months before its release, at the time of the 1994 budget. They reported that Finance Minister Paul Martin “in many ways seems to be taking a leaf out of the OECD’s book” (Crane 1994, C1). Another article in the Montreal Gazette emphasized that “the OECD represents in summary the available wisdom of developed countries” and “it coincides closely with the rhetoric of the human resources minister since he launched the [social security] review” (Johnson 1994, B3).

In summary, ideas from the OECD did make their way into Canadian debates. Apart from comments from civil servants that OECD ideas were “old” and “conventional” or that OECD analyses were unappreciative of the particularities of Canadian unemployment challenges and policy legacies, some civil servants noted that they were looking to learn from the OECD. HRSDC, for example, showed a great interest in the Jobs Study and its analyses related to ALMPs. However, it appears that the OECD
was primarily used to help legitimize policy directions agents already knew they wanted to take. The OECD was heavily referenced in key government policy papers in those years; and civil servants admitted to using the OECD strategically in their “push” for a particular policy direction – an admission which supports the idea that the OECD is perceived to hold some persuasive power within government.

References to the OECD in Parliament indicate that the OECD’s reputation extends beyond the bureaucracy and into the political level of government. Business and labour unions also referred to the OECD, though for different reasons. While business was using the OECD as support for their position, labour was arguing against the OECD’s recommendations and analysis, which they believed were influencing the current government. Individual economists refer to the OECD frequently as well. Only the news media appeared less inclined to take a long and serious look at the OECD, which may reflect either the Canadian medias’ treatment of complex economic matters generally, or their scepticism about the impartiality or insufficiently critical nature of OECD reports.

In all, OECD ideas had a role in the debates of the mid-1990s. The next question, to which we now turn, is what kind of impact did these ideas have on policy making and policy outcomes?

### 6.4 The Acceptance and Impact of OECD Ideas

According to the OECD, Canada did well at implementing the recommendations of the *Jobs Study* and the recommendations received in the *Economic Surveys*. One area of strong “progress” was unemployment insurance. Canada was positively acknowledged for lowering replacement rates, reducing benefit duration, strengthening work availability
conditions, tightening eligibility conditions, and reducing work disincentives (OECD 1998a, 30). In 1994, the benefit rate, which has been lowered from 60 percent of previous earnings to 57 percent by the Conservatives in 1993, was further lowered to 55 percent. Low-income recipients with dependents received a higher benefit rate at 60 percent. The minimum number of weeks of work required for eligibility increased from 10 to 12 and the duration of benefits was reduced from 35 to 32 weeks on average (Stoyko 1997, 95). The later two reforms had greater impact in high unemployment regions, thus slightly reducing the regional differentiation of the system (OECD 1995b, 59).

More radical changes were made with the passage of the *Employment Insurance Act* of 1996. Some of the changes included shifting from weeks- to hours-based calculations, tightening eligibility (i.e., 910 hours of work needed), reducing the maximum insurable earnings, reducing the maximum benefit duration (i.e., 50 to 45 weeks), and allowing some earnings while claiming benefits. Furthermore, a tax-based claw-back of benefits for high income earners was introduced, as was an “intensity rule” which reduced the benefit rate by one percentage point for every 20 weeks of benefits collected in the past five years, to a maximum of five percent. Though the later two reforms were framed as “worker-side experience-rating” (Kesselman 2005, 3), the OECD in its 1998 *Survey* of Canada argued that “experience rating could be further strengthened” and that “variation in regional generosity still largely remains” (OECD 1998a, 101).

Regional variation and experience-rating notwithstanding, Canada went a long way towards implementing the kinds of changes recommended by the *Jobs Study* regarding the unemployment benefit system. So, what might explain this apparent “success?” As Peter Hall has argued, “we need to know much more about the conditions
that lend force to one set of ideas rather than another in a particular historical setting” (Hall 1989, 362). The acceptance of an idea is said to be determined by how well it relates to the economic and political problems of the day and how it is interpreted in light of the existing stock of knowledge (369-70).

The recommendations to make significant cuts to UI fit well at that time with the political and economic agenda of reducing government spending in order to bring down the deficit. The Liberals had campaigned that they would slash the deficit to three per cent of the GDP by 1997, which meant $18 billion had to be cut from the current operating deficit (Ziegler 1994). Most programs and policies, not only social policies, were to be examined for savings in a process known as “Program Review.”

The ascendancy of the deficit-cutting agenda also meant that Finance was now in a greater position of power within government. According to a senior Finance official, UI reform was ultimately shaped by Finance, not HRDC (Interview 17). Therefore, what mattered was that Finance had accepted the idea that UI was too generous. In background papers for the pre-budget consultation in 1994, Finance indicated that the UI system was creating important disincentives to work, and was more generous than the US and the G7 average (Beauchesne 1994). This congruence between Finance and the OECD was well known by those in HRDC. As one HRDC official recalled, very senior people in Finance had a “pretty clear idea” of what was appropriate for policy, and “anything that came out the OECD would have been endorsed” (Interview 15).

Despite the will of Finance to make reforms to UI, two OECD recommendations - the ending of regional differentiation and the addition of experience-rating - were only weakly implemented. The idea of ending regionally extended benefits did not fit with generally accepted views about social and political viability. One civil servant in HRDC
and formerly from Finance explained that the ending of the regional variation of UI has long been resisted in Canada because UI was not merely an insurance but an income maintenance scheme, and dismantling it would create economic hardships. In places like Newfoundland, this civil servant argued, ending the regional aspect of UI might increase mobility to a point where the younger generation (who are also the most educated) leaves, resulting in a much older population, which in turn hurts the tax base (Interview 11). As was discussed earlier, similar considerations about the social and economic impacts of introducing experience-rating were made by civil servants, even in Finance.

There were also political reasons for not making changes to the regional aspects of UI or introducing experience-rating. Atlantic Canada voters and Liberal MPs from Atlantic Canada, which Geoffrey Hale calls the “UI Caucus,” including cabinet ministers Brian Tobin and David Dingwall, were strongly opposed to such changes because of the significant economic dependence of the region on UI. In rural Atlantic Canada in particular, 50 to 80 percent of families received UI benefits in the recession year of 1992 (Hale 1998, 432). Furthermore, in Quebec, which would also have been disproportionately affected by such reforms, there was an ongoing contest between the federal and separatist governments for the hearts and minds of the voters in that province (Hale 1998, 431). These concerns over political viability were confirmed in the 1997 election campaign in which Minister David Dingwall’s Nova Scotia office was trashed and he, and all other Liberal members in Atlantic Canada, except one, lost their seats in parliament. Therefore, in September 2000, and just prior to the next election, the Liberals introduced legislation to reverse some of the UI reforms. Most noteworthy was the
elimination of the intensity rule and an amendment to the claw-back provision (Porter 2003, 225). 42

As mentioned above, the OECD had recommended shifting spending away from passive measures towards those active measures that produced results or, if that was not possible, lowering payroll taxes. The federal government did neither to any large degree. In the 1994 budget, $800 million over two years was made available under the “Strategic Initiatives” program so that “new approaches” to ALMPs could be tried in cooperation with provinces and territories while the Social Security Review was underway (Department of Finance Canada 1994b). In the 1995 budget that changed. ALMPs that had been financed out of the Consolidated Revenue Fund, including the “Strategic Initiatives” program, were combined into a new single Human Resources Investment Fund, the global budget of which was cut, producing a savings of $600 million dollars in 1995-96 and $1.1 billion in the following years (Department of Finance Canada 1995b). Furthermore, Labour Market Development Agreements (LMDAs) were signed with each interested province, allowing funds in the UI account which were allocated to active labour market measures to be transferred to the provinces (Klassen 2000b, 174). In addition, despite concerns that payroll taxes weakened employment creation, unemployment insurance premiums hardly decreased under the Liberals (OECD 1994a, 75; OECD 1997a, 55). Rather Finance allowed a huge surplus to build up in the fund which, it was said, would help offset future shortfalls in the UI account, but were in fact used to help bring down the deficit (Hale 1998, 430-451).

42 The amendment to the claw back meant that it would not apply to first-time claimants or to those collecting sickness, maternity or parental benefits. In addition, for frequent claimants, the net income above which benefits must be paid back was increased from $39,000 to $48,750, and the maximum repayment above this threshold limited to 30 percent. Also the higher re-entrant rate (910 hours) was no longer to apply to parents of young children returning to the labour market (Porter 2003, 225, 313).
Arguably, one of the central reasons why the recommendation for better ALMPs was not ultimately followed by the federal government was because, on the whole, neither bureaucrats in Finance nor many at the political level were convinced of their effectiveness. At the rhetorical level, there was a show of interest. For example, in HRDC documents at that time were many references to the role of ALMPs. But, “if you actually track the history of expenditure on active labour market programs after the Chrétien Liberals came to power, they were constantly cutting and pretending they weren’t,” said one HRDC official (Interview 15). Liberal Party officials in the Prime Minister’s Office (PMO) and those in Finance were particularly sceptical of ALMPs. As one HRDC official recalled, “I recall seniors Liberal advisors in the PMO office saying, ‘Well that’s interesting but don’t we have enough hair dressers in Newfoundland?’ The notion was that training programs were constantly training people for the same skills… We tried to investigate these things and we found almost no analytical support for the hairdresser argument” (Interview 15).

There was similar scepticism in Finance, for several reasons. One reason was that studies done by Finance officials themselves were casting doubt on the usefulness of ALMPs (Interview 18). Secondly, there was the perception that OECD arguments about ALMPs were flawed. One Finance official recalled the arguments made back and forth during the OECD peer review process. The OECD, according to this official, was only comparing the benefits of an active measure with its programme cost, and not the “real” cost of having to raise taxes, which would be necessary to pay for such programs. Further, there was also scepticism about the ability to accurately forecast and train people for jobs which actually existed (Interview 18).

In the end, despite the Social Security Review and the interest in ALMPs by some HRDC officials, it was Finance, and to some extent the Privy Council Office, that
determined the shape of active labour market policies at the federal level. According to an HRDC official,

“HRDC was intended to be excluded from [the Program Review] on the grounds that all of our expenditure reduction would be generated through the social security reform process….And then one day, without any advance warning, the Department of Finance went into this program review committee, didn’t tell our minister in advance, didn’t tell the deputy minister or me in advance. The Department of Finance basically proposed to this committee that our active labour market programming be reduced by some percentage, 25-30-35 percent, a big number. The Privy Council Office should never have allowed it on the agenda…but they did” (Interview 15).

What resulted was a significant reduction in spending on ALMPs in the 1995 budget. The investment in active measures that had occurred in 1994, was largely undone. However, some have argued that this one time investment in 1994 had simply been a political compromise. Anticipating that the cuts to UI would create a backlash in Atlantic Canada, the HRDC Minister negotiated with the Finance Minister to have $800 million of savings from the Unemployment Insurance account put towards active labour market measures, and $300 million of that would go into a separate “Jobs Fund” which would create jobs, largely in Atlantic Canada (Stoyko 1997, 96).

Many observers agree that the decision to sign Labour Market Development Agreements with the provinces came not as the result of a desire to improve labour market programs or outcomes, but rather “was a direct result of inter-provincial politics” (Griffin-Cohen, 2003, 9). Intense pressure came from the provinces, in particular from Quebec. During negotiations for the Charlottetown Accord, at the request of Quebec, the federal government agreed to give any province that so desired control over all labour market development activities, except UI. Not only was this acceptable to Quebec, but other provinces as well (Haddow 1999, 106). After Charlottetown failed, another offer of devolution came in June of 1994. This proposal gave provinces control over
administration, leaving training policy design a joint-responsibility (Haddow 1999, 107).

This was not enough for the Parti Québécois, however, who were elected in September 1994, and so a more far-reaching offer of devolution came from Ottawa in 1995 after the Quebec sovereignty referendum (Haddow 1999, 107).

In summary, deficit cutting was the main goal driving policy changes in the mid-1990s, which had two important effects on the policy process. One, it placed Finance in a position of greater power and influence relatively to other departments like HRDC; two, it meant that policy reforms which supported cuts in spending were viewed more favourably. As a result HRDC’s interest in ALMPs had little impact on the shape of policy. Yet, even the deficit-cutting agenda was not immune to political realities such the power of regional interests to mute the severity of the cuts to UI.

6.5 Conclusion

Earlier in this chapter, an HRDC civil servant was quoted as saying in 1993 that the Liberal government and the public service, facing very high unemployment, had little idea of what to do to combat it. In such a context, ideational scholars would likely predict that policy agents would seek out new ideas and engage in policy learning. Indeed a paradigm shift did occur in Canada: bring down the deficit and debt became the government’s overarching goals. But, in terms of labour market policy, only a modest amount of learning occurred. Evidence from interviews and documents, such as the sending of employees to the OECD to work on the Jobs Study, indicates some interest from federal civil servants in learning from the OECD. This sense of not knowing how to combat unemployment, that is, the presence of uncertainty, likely provided some of the
motivation for seeking out new ideas, as ideational scholars and the Danish case have also shown. As well, interviewees generally respected the work of the OECD and, particularly at HRDC, perceived OECD analyses to be well-regarded by those who they would need to influence (e.g., the cabinet), which helps explain the turn to the OECD as a source of ideas.

However, many interviewees suggested that ideas like those in the Jobs Study had already been circulating in Canadian policy circles, which limited the degree to which the Jobs Study contributed to a change in the policy debates. The relative disinterest in OECD ideas shown by the media and think tanks is also consistent with this sentiment that OECD ideas were not remarkable enough to warrant much attention or provide much fodder for debate. In fact, during the Conservative era, reforms similar to the OECD’s recommendations had been tried, such as lowering benefits and increasing spending on ALMPs.

Primarily explaining the limited role of OECD labour market ideas as a source of policy learning, is that the problem of unemployment had not been defined as the main crisis, not to the degree structural unemployment had been in Denmark. At least two other policy issues were drawing more attention and defining the agenda. These two issues were highlighted in the 1995 budget: “there are two clouds that loom over our country’s horizon. One is the uncertainty that some would create over the future of Quebec. The second cloud is the debt and deficit” (Department of Finance Canada, 1995).

Bring down that deficit and debt became the dominant paradigm in Canada in the 1990s, setting attention on the cost of labour market programs, and treating their efficacy as secondary. The dominance of this new paradigm was exemplified by the eventual
“shelving” of Axworthy’s Social Security Review in favour of focusing on fiscal matters (Kennedy 1995).

Furthermore, with the deficit-cutting agenda as the new paradigm, Finance’s influence over the line departments, such as HRDC, grew. As observed in Denmark and as Peter Hall has argued, a paradigm shift is often accompanied by a shift in authority. Interviews with both HRDC and Finance indicate that in those years of intense budget cuts, labour market policy was effectively determined in the Department of Finance.

Therefore, the primary role of OECD ideas in the Canadian context was not so much in shaping the direction of policy – it was being shaped by the fiscal restraint paradigm – but was rather in providing a source of legitimacy for actors’ political and policy arguments. OECD ideas were referenced in parliament by Liberal ministers, and civil servants used them to strengthen their arguments within the bureaucracy. Several interviewees were quite explicit that the OECD was used in this legitimizing way, suggesting that the OECD held a persuasive power with parts of the policy community in Canada. Using the OECD in this way was possible because the overall thrust of the Jobs Study was consistent with the paradigm of leaner budgets.

Many ideational researchers have argued that the degree to which ideas are transferred and accepted, thereby playing a role in the policy process, is contingent on the “fit” these ideas have with the domestic environment in which they are introduced. This case study, and especially some of the OECD recommendations that got little traction, help us unpack what is captured in this concept of fit and how it is important. First, who accepts incoming ideas matters for whether or not those ideas shape policy, in that acceptance from those with power or authority over a policy area is key. In this case, Finance was not convinced of the effectiveness and need for investments in ALMPs, but
HRDC was – a split that paralleled differences within the OECD Secretariat; however, given the context of fiscal restraint, Finance effectively had a veto over HRDC, putting an end to any further investments. Second, and related to this, fit is also about the degree to which ideas can be reconciled with the current paradigm guiding policy making. Even if Finance had been convinced of their benefits, investments in ALMPs might not have been made because such spending would not fit well with the broader goal of deficit reduction.

Some OECD recommendations did work within the established paradigm, in that they would have been cost-saving, such as ending the regional variation of UI benefits and introducing experience rating. Also, Finance was generally convinced that UI needed to be less generous. Yet, these ideas did not “fit” politically, as evident from the backlash primarily in Quebec and Atlantic Canada. Unemployment insurance had built up a strong constituency of supporters whose membership also coincided with federal electoral constituencies, thus allowing parts of Quebec and Atlantic Canada to have a strong influence on the direction of policy. Therefore, if ideas are to impact policy in a way that lasts longer than an election cycle, either ideas need to find widespread acceptance, as the ideas of structural unemployment and activation did in Denmark; or, if this cannot be achieved, then governments will need to seek out ways to implement unpopular reforms using tactics, as many welfare state researchers have documented, which limit backlash as much as possible (for the OECD’s assessment of Canada’s follow-through, see Table 6.1). Given the rarity, though not impossibility, of widespread consensus on an issue, it then seems likely that policy reforms will not entirely resemble the ideas on which they are based, and in this way, the political process mediates the impact that a belief in new ideas can have on policy.
<table>
<thead>
<tr>
<th>Category</th>
<th>Recommendation</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Replacement Rates</td>
<td>Shorter Duration of Benefits</td>
<td>Action taken</td>
</tr>
<tr>
<td></td>
<td>Stronger Work Availability Conditions</td>
<td>Some action taken, more action needed</td>
</tr>
<tr>
<td></td>
<td>Tighter Eligibility Conditions</td>
<td>Some action taken, more action needed</td>
</tr>
<tr>
<td></td>
<td>Reduce Poverty Traps/Work Disincentives</td>
<td>Action taken</td>
</tr>
<tr>
<td></td>
<td>Increase the extent of experience-rating with respect to previous use of the UI system by beneficiaries</td>
<td>Action taken</td>
</tr>
<tr>
<td></td>
<td>Reduce the dependence of UI generosity on local unemployment rates</td>
<td>No action taken</td>
</tr>
<tr>
<td>Early Retirement and Invalidity Schemes</td>
<td>Tighten Invalidity or sick pay schemes</td>
<td>No action taken</td>
</tr>
<tr>
<td>Taxes and Social Security Contributions</td>
<td>Reduction in Taxes on Labour Income - Payroll</td>
<td>Some action taken, more action needed</td>
</tr>
<tr>
<td></td>
<td>Targeted Reduction on low Incomes - Income Taxes</td>
<td>Some action taken, more action needed</td>
</tr>
<tr>
<td>Wage Formation and Industrial Relations</td>
<td>Modify Minimum Wage</td>
<td>Policy moved in opposite direction</td>
</tr>
<tr>
<td>Active Labour Market Policies</td>
<td>More Evaluations Needed</td>
<td>Some action taken, but more action needed (by provinces)</td>
</tr>
<tr>
<td></td>
<td>Integration and Restructuring of ALMP Activities</td>
<td>Action taken (by provinces)</td>
</tr>
</tbody>
</table>

Source: OECD 1999b
Chapter 7

THE CASE OF SWEDEN

Sweden, like the rest of the OECD, experienced high unemployment in the 1990s, prompting much debate about labour market policy. By decade’s end, however, the OECD concluded that Sweden had carried out few of the recommendations (OECD 1999b; OECD 1998c). The Swedish case, therefore, presents us with questions about why the OECD had apparently limited influence and why Swedish labour market policies persisted.

This chapter shows that actors with economic perspectives similar to the OECD’s were actively involved in the transfer of OECD ideas, as they were more likely to treat the OECD as an authority or in-group member. Bourgeois political parties, the employers’ confederation, prominent labour market economists, print media and civil servants in Finance, were all well aware of and helped introduce OECD ideas into Swedish debate, promoting them in parliament, government reports and the media.

Key to understanding the limited acceptance and impact of these ideas is to appreciate the historical context and the prevailing political ideas against which OECD ideas were judged. The high unemployment faced by Sweden was not unique among OECD countries, but its recency was. Denmark and Canada, for instance, had been battling high unemployment for a decade or more. This led many in Sweden to be skeptical of the OECD’s diagnosis of high structural unemployment. Sweden also had a well-embedded model of labour market policy that was intimately caught up in the identity of one of the main political players, the Social Democratic Party. These factors help explain the limited impact of OECD ideas. What explains the reforms to labour
market policy in the 1990s, as we will see, was the need to find cost savings in the face of growing budget deficit and debt.

7.1 The Welfare State and Labour Market Policy in Sweden

Politics in Sweden and other Scandinavian countries have been described as consensual (e.g., Lijphart 1999). Elections for the unicameral parliament, or *Riksdag*, frequently produce minority governments requiring parties to work together to govern. Unlike Denmark, however, where coalitions are common, the Swedish Social Democrats, who have governed for most of the last 75 years, have typically formed a single-party minority, requiring them to seek support from other parties to pass reforms (Social Democratic Party, 3; Hustedt and Tiessen 2005, 23).

Two venues for seeking political consensus have been the commissions of inquiry and parliamentary committees. Commissions of inquiry are called by governments prior to drafting legislation to “generate new ideas and find politically-feasible solutions” (Boston 1998, 68). The commissions’ varied membership, including government and opposition members, interest groups and policy experts help prepare the political ground for legislation (Boston 1998, 68). Published as the Swedish Government Official Reports (or *Statens offentliga utredningar*, SOU), commission reports are not only influential, but also have a policy legitimating function (Arter 1999, 155-158). Parliamentary committees, which examine bills before a vote is taken in parliament, are also important venues for identifying coalition partners for the passage of a bill (Arter 1999, 125-133).

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43 Though, on occasion, commissions can be used by governments to defer decisions on controversial issues (Arter 1999).
As well, because government ministries in Sweden are small, commissions and committees are significant players in the policy process (Arter 1999, 154).

The policy development and implementation functions of government are largely separate in Sweden. Several relatively autonomous boards and agencies, such as the Social Welfare Board and the National Labour Board oversee policy implementation following directives passed down from government (Arter 1999, 154). The civil service is, therefore, focused on policy making, a layer of which is comprised of political appointees. For each minister, one or two Under-Secretaries will be appointees and will play an important role in policy formation (Boston 1998, 68).

Economically, Swedish is relatively open with high levels of international trade and large, privately-owned, and internationalized firms (Huber and Stephens 2001; OECD 2006a, 233). Maintaining a competitive export industry has therefore been essential. As a social democratic welfare state committed to full employment and equality, where high taxes finance universal programs and services administered by a large public sector, Sweden has had the considerable task of effectively integrating economic and social objectives.

The Rehn-Meidner model,\footnote{Named after two Swedish labour union economists, Gösta Rehn and Rudolf Meidner.} adopted by the Social Democratic Party in 1955, has provided the guiding principles for reconciling full employment, wage compression, low inflation and overall economic balance. In this model, union-supported wage solidarity forces firms with low productivity and wages to either rationalize or go out of business. Unemployed workers are then moved to more productive enterprises with the help of active labour market policies (ALMPs), and the tax regime encourages re-investment over distribution of profits. Workers also benefit from subsidized public goods and services. In
return, unions promise wage restraint, particularly in export industries. Government provides tight fiscal policy. Rather than expansive macroeconomic policies, full employment and low inflation are maintained with ALMPs and low-interest loans for businesses, drawn from public savings.

In this model, labour market policy is deeply integrated with general economic policy. Its primary purpose is to ensure the efficient allocation of labour. Over time, of course, labour market policy, specifically ALMPs, have had other purposes. In the 1960s and 70s, ALMPs were used, for instance, in job creation.45 In the 1990s, according to some, ALMPs were used to reduce unemployment numbers and re-qualify the unemployed for benefits (Calmfors, Forslund, and Hemström 2004, 7); although, others argue the focus in the 1990s was on skills development and securing sufficient labour supply (Plougmann and Madsen 2005, 301). The unemployed also have frequent contact with the Public Employment Service (Arbetsförmedling, PES), which may refer the unemployed for training or subsidized work so clients can demonstrate their availability and willingness for work.

Regardless of these shifting purposes, ALMPs function on both the demand- and supply-side of the labour market. On the demand side, job creation schemes have included work experience, recruitment or employment subsidies, as well as grants for self-employment (Calmfors et al 2004, 8). On the supply side, occupational training courses have been key; although general education became increasingly important in the

45 Called “relief work,” these job creation schemes have been used since the 1930s. These jobs pay regular wages according to collective agreements, are often arranged by the public sector and are targeted at individuals at high risk of unemployment (Forslund and Krueger 1997, 272).
Typically, training lasts for 6 months, and participants receive grants equivalent to unemployment compensation (Calmfors et al 2004, 9). Work practice programs, introduced for youth, immigrants and academic graduates in the 1990s, combine job creation with training (Calmfors et al 2004, 9).

Sweden stands out among OECD nations, even among other Scandinavian countries, because of its long history of significant spending on ALMPs. In 1987, when unemployment was 5 percent in Finland, 8 percent in Denmark and only 1.9 percent in Sweden, Sweden spent 1.9 percent of its GDP on active labour market measures compared to only 0.9 percent and 1.1 percent in Finland and Denmark respectively (Stephens 1996, 38).

On top of ALMPs, the Swedish unemployed are supported by relatively generous benefits. There are three sources of income support: unemployment insurance (a-kassa or UI); a supplementary compensation system (kontant arbetsmarknadsstöd, KAS); and social assistance. Unemployment insurance in Sweden is neither compulsory nor universal, but, as it is administered by the unions to their members, high unionization ensures the vast majority of workers (80 percent) are covered. UI is nevertheless regulated by the government, and as will be discussed, the replacement rate changed a number of times in the 1990s, ranging from 90 to 75 percent of previous earnings (Nordlund 2000, 38; Olsen 1999, 251). Changes to the waiting period for UI benefits were also made in the 1990s (Nordlund 2000, 38). As well, financing of UI has been contentious, since public subsidies to unemployment funds have made up a continuously larger proportion of the total (Furåker, Johansson et al 1990, 155).

46 Swedish language training for immigrants, computer and information-technology courses, training targeted at youth and those at risk from plant closures have also been available.
For those not belonging to a UI fund or with a short work record, there has been the KAS or “cash labour market assistance.” These benefits were financed by the state and employer payroll fees and were administered by local labour market boards, though as will be discussed, some changes to this system were made in the 1990s (Olsen 1999, 241-267). These benefits provided less money (a flat rate) for a shorter duration than the UI funds (Forlslund and Krueger 1997, 270).

Social assistance, administered by local authorities, guarantees all citizens a minimum standard of living should they no longer qualify for UI or KAS. These benefits are means-tested and are reduced crown for crown as income increases (OECD 1995c, 65). Social assistance benefits are nevertheless relatively high and, depending on one’s family situation, can be higher than UI or KAS. Take-up in 1993, when unemployment was nearing its peak, was around 10 percent and the average duration was around 4.5 months (OECD 1995c, 95).

As per the consensual model, “social partners” play an important role in the functioning of the labour market and the shaping of labour market policy in Sweden. Three large confederations organize the activities and represent the interests of employee unions in Sweden: The Swedish Trade Union Confederation (Landsorganisationen, LO), the Swedish Confederation for Professional Employees (Tjänstemännens Centralorganisation, TCO) and the Swedish Confederation of Professional Associations (Sveriges Akademikers Centralorganisation, SACO). LO is the largest (affiliated unions represent 1.8 million workers). Unionization rates for all workers, whether blue- or white-collar, are high in Sweden (83 and 81 percent respectively) (Nelander 2004, 28).

Public employers are represented by the Swedish Association of Local Authorities, the Federation of County Councils, and the Swedish Agency of Government
Employers. The private sector is represented by the Confederation of Swedish Enterprise (Svenskt Näringsliv), which was created in 2001 when the Swedish Employers’ Confederation (Svenska Arbetsgivareföreningen, SAF) and the Swedish National Federation of Industry (Sveriges Industriförbund) merged.\(^{47}\)

Traditionally, corporatism – the institutional arrangements that bring unions and employers into negotiations on important political-economic issues - has been strong in Sweden. Since the 1980s, however, corporatism has been in decline (Lindvall and Sebring 2005, 1057). No central wage agreement has been reached by LO and the SAF since the early 1980s, mainly because of SAF’s unwillingness (The Swedish Trade Union Confederation 2003, 8). In 1991, SAF withdrew representatives from the boards of most government agencies. The SAF felt a solidaristic wage policy was no longer in their interest and centralized wage bargaining was not producing the wage restraint they sought (Huber and Stephens 1998, 381).

Though corporatism has declined in some respects,\(^{48}\) social partners still play an active role in political matters. LO continues to exert influence through strong ties with the Social Democratic Party (Sveriges Socialdemokratiska Arbetareparti, SAP). The president of LO, for example, is a member of the Executive Committee of the Social Democratic Party, and in return, the party can depend on large election contributions from LO (Social Democratic Party, 7; The Swedish Trade Union Confederation 2003, 13).

SAF does not have a formal relationship with any political party. It has instead taken a different approach, by finding influence with the public service and the public, particularly through the use of their think-tank, the Centre for Business and Policy Studies.

\(^{47}\) Given that 1990s is the focus of this chapter, SAF will be used.

\(^{48}\) Another example of decline is less participation by labour and employer representatives in government Commissions of Inquiry than in the past (Lindvall and Sebring 2005, 1061).
Overall, Sweden’s welfare state and model of labour market policy set it apart from many OECD countries, particularly Canada, but in some respects even Denmark. With a “generous” welfare state, unique model of economic and labour market policy, “consensual” policy process and influence of the social partners, Sweden is strikingly different than Canada. Its long history of Social Democratic rule and significant spending on ALMPs also set it apart from Denmark.

### 7.2 The Economic Context of the 1990s in Sweden

The Swedish model faced a number of challenges in the 1990s. The recession hit Sweden hard. From 1990 until 1993, unemployment in the open labour market rose from 1.7 to 8.2 percent (Huber and Stephens 1998, 379; Palme 2002). Counting those in active labour market programs, the increase was from 2.1% to 12.5% (Huber and Stephens 1998, 379). Sweden’s GDP declined for three successive years (1991-93). Combined with rising unemployment, this meant that social expenditures rose to 40.3 percent of GDP in 1993, adding to a huge budget deficit (around 12 percent of GDP in 1993) (Palme 2002; Eitrheim and Kuhnle 2000, 48; Benner and Vad 2000, 420). Gross government debt as a percent of GDP was between 78 and 84 percent from 1993 to 1996 (OECD 2010). With a large deficit and debt, the fiscal context for policy making was therefore similar to Canada’s at that time. Denmark, however, was in slightly better shape with a budget deficit of 2.8 percent in 1993 (Benner and Vad 2000, 438).

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49 In the 1970s and 80s, SAF’s financial resources grew tremendously which allowed them to establish the think tank and publishing house (Blyth 2002, 215).
In the years leading to this crisis, thinking about the welfare state had undergone a number of changes. In particular, there was a widely-accepted belief, even among the Social Democrats and LO, that the welfare state was fully developed, as many programs were comprehensive and benefits were high (Huber and Stephens 2001, 242). As such, it was neither necessary nor desirable to expand public spending as a percentage of GDP. New programs were to be financed from cuts in public spending, public sector efficiency gains or GDP growth (Huber and Stephens 2001, 242).

The Social Democratic government also declared in 1990 in their fiscal plan that achieving a permanent reduction in inflation would “take priority over all other ambitions and demands” (as cited in Lindvall 2004, 108). Macroeconomic policy would no longer be used to counteract unemployment. Expansion of the domestic economy or currency devaluations were no longer options the government wished to pursue (Lindvall 2004, 108).

In this context of changing policy goals and policy instruments and economic crisis, the OECD offered Sweden its own policy recommendations.

7.3 OECD Analysis and Recommendations for Sweden

As late as 1992, the OECD Economic Survey described Sweden’s labour market as “among the best functioning in the OECD area” (OECD 1991b, 54) and “comparatively flexible” (OECD 1992a, 56). But, in 1994, the OECD began to discuss how Sweden’s “slide into deep recession and …ballooning budget deficit” were calling into question “the lavishness of the country’s ‘cradle to grave’ welfare system” (OECD 1994b, 78). At the time, the OECD concluded that the flexibility of the Swedish labour
market had been “overstated,” that real wage flexibility had been due to currency
devaluations and that public sector expansion had maintained low unemployment (OECD
1995c, 57-59).

These policy instruments (i.e., currency devaluations and public sector expansion)
were no longer options for Sweden, stated the OECD. The government’s commitment to
low inflation required stable exchange rates, and poor public finances meant no room for
further government employment. The OECD argued that Sweden would have to reduce
unemployment by finding greater labour market flexibility lest unemployment become
“entrenched” as in the rest of Europe (OECD 1997b, 75, 82). The OECD recommended
reforming the benefit system and employment security provisions, and increasing wage
and labour cost flexibility (OECD 1997b, 116-117).

Specifically, the OECD recommended lowering the UI replacement rate in
combination with a lowering of the marginal tax rate (OECD 1997b, 117). Alternatively,
they recommended a shorter duration for unemployment benefits, plus stricter eligibility
and tighter enforcement of jobs availability criteria to spur stronger job search efforts
(OECD 1997b, 105). If benefits are too “generous,” the OECD argued, they “can affect
labour-market outcomes through their negative impact on incentives,” including their
impact on wage expectations, occupation and geographic mobility, job search intensity
and, therefore, duration of unemployment spells (OECD 1997b, 117; OECD 1995c, 59).

The negative effects of high benefits, the OECD acknowledged, had previously
been contained by willingness-to-work requirements. But the OECD expressed great
doubt that these requirements would continue to have their effect. First, the unemployed
were being allowed to re-qualify for benefits by participating in active measures, whether
training or relief work (OECD 1995c, 61-63). Second, the OECD was doubtful that the
Swedish authorities had the capacity to enforce stringent willingness-to-work requirements in times of high unemployment (OECD 1995c, 59). Finally, the OECD contended that the financing structure of UI benefits created few incentives for the administering unions to react to failures in the work test since the state provided a 95 percent subsidy to the funds (OECD 1995c, 65).

The OECD, therefore, recommended reforming Sweden’s ALMPs and the financing structure of unemployment benefits. The OECD suggested targeting ALMPs and job brokering on the low-skilled, the long-term unemployed and those at risk of unemployment (OECD 1997b, 104, 118). Remuneration for subsidised jobs should not be at bargained-wage rates but set to give incentive to seek ordinary jobs (OECD 1997b, 118). Job search and availability criteria should be strictly enforced to encourage labour market attachment and reduce the heavy financial burden of ALMPs on public finances (OECD 1997b, 103); and “ALMPs should not be allowed to prolong the effective benefit period beyond three years” (OECD 1997b, 117). The OECD also recommended that a direct link be established between employee and employer contributions and unemployment insurance expenditure (OECD 1997b, 101). If not, the OECD recommended that the administration of UI benefits be integrated with the other activities of the Public Employment Service (OECD 1997b, 117).

Wages and other labour costs were another major area of concern for the OECD. Although, the Rehn-Meidner model aimed to decrease wage disparity in Sweden, the

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50 In the late 1980s, each public employment service (PES) officer had only 14 unemployed persons to handle at a time; by 1994 that had risen to more than 50, thus limiting the time each officer could attend to a client (OECD 1995c, 67-68). Furthermore, since a large stock of vacancies do not exist in times of high unemployment, the OECD argued that applying a work test becomes more difficult in a soft labour market. As evidence of this, far less benefit claims were disputed during the recession in 1993 (0.4 percent) than in times of low unemployment in the mid-1980s (4 percent) (OECD 1995c, 64).
OECD argued wage compression no longer benefited Sweden, because low-skilled workers and youth, for example, were being priced out of the labour market (OECD 1997b, 87). At the other end of the wage distribution, according to the OECD, wages did not reflect the investment that many had made in higher education, thereby failing to provide an incentive to make such an investment (OECD 1997b, 88).

Another factor keeping Sweden’s labour market rigid, according to the OECD, was employment protection legislation (EPL). Sweden’s EPL “ranks as relatively strict in the European context,” and it was believed to be discouraging the hiring of young and inexperienced workers (OECD 1997b, 119). According to the OECD, lengthening the probationary period, shortening notice periods and taking a more flexible interpretation of the last-in-first out principle would reduce compliance costs, which were particularly hard on small- and medium-sized businesses (OECD 1997b, 92). The OECD believed these parameters should be determined through bargaining, because through this process the costs and benefits of such changes “can be assessed against improvements in earnings” (OECD 1997b, 120). For a summary of these recommendations see Table 7.0.

Table 7.0 OECD Analysis and Recommendations for Swedish Labour Market Policy

- Lower UI replacement rates
- Shorten duration of benefits, particularly if UI replacement rates are not lowered.
- Strengthen work availability conditions
- Tighten eligibility conditions
- Stop ALMPs from prolonging the effective benefit period beyond three years.
- Reduce the scope of ALMPs and target ALMPs and job brokering on long-term unemployed and weak groups.
- Shift financing of UI benefits from government to unemployment funds at the industry level. If not, the administration of UI benefits should be integrated with other activities of the Public Employment Service, to make enforcement of job availability provisions more effective.
- Set the remuneration for subsidized jobs to provide incentive for seeking ordinary jobs.
- Encourage greater wages flexibility
- Ease constraints on flexible work-time arrangements.
- Review employment protection legislation to improve hiring prospects.


7.4 The Transfer of OECD Ideas

Policy making in Sweden – marked by minority governments, involvement of social partners and public commissions of inquiry – is a process that appears to have multiple openings for the entry of new ideas. Despite this potential, OECD ideas were limited to particular policy debates in the 1990s. Most actors were aware of the OECD’s work, but the main conduits for its ideas were labour market economists and academics, budget-concerned Finance civil servants, right-wing politicians looking for support in their opposition to the Social Democratic government, and to a lesser extent the SAF and the press. OECD ideas circulated primarily in economic journals and the expert papers appended to public commissions, in discussions among certain Finance officials and some parliamentary debates. These ideas were not, however, often on the minds of the Social Democratic government, labour ministry civil servants, or labour union officials.

7.4.1 Academics and Experts

Compared with other policy actors in Sweden, labour economists and other academics were the most active in moving OECD ideas into Swedish debates. Not only did Swedish experts raise OECD ideas in discussion, but economists from the OECD were themselves contributors in these debates, participating as colleagues.
A journal published by the Economic Council of Sweden (Ekonomiska Rådet), the Swedish Economic Policy Review, was a significant venue for debate around OECD ideas. In a 1994 issue, Jørgen Elmeskov, a member of the Economics Department at the OECD and a key player in the Jobs Study, warned that “many of the features…associated with [non-Nordic] European unemployment persistence also seem to be present in Nordic labour markets,” features described in the OECD Job Study such as generous unemployment benefits, high employment protection legislation, and a compressed wage distribution (Elmeskov 1994, 67). In 1998, Elmeskov made another contribution accompanied by John P. Martin, deputy director of the OECD DEELSA, and Stefano Scarpetta, principal administrator in the OECD Economics Department. The trio estimated that the Swedish structural unemployment rate had risen during the 1990s to an estimated 6.7 percent in 1997 (Elmeskov, Martin, and Scarpetta 1998, 209). Consistent with other OECD documents, their paper concluded that generous unemployment benefits, a large tax wedge and strict employment protection, among other things, led to high structural unemployment (Elmeskov, Martin, and Scarpetta 1998, 217).

When asked about the nature of their relationship with OECD economists, a member of the Economic Council of Sweden was hesitant to describe it as close, or say they were part of a “community,” but did say it was “natural” to have invited members of the OECD to participate in their seminars and contribute papers (Interview 39).

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51 The Council consists of academic economists and was established by the Swedish government to initiate and disseminate economic research, as well as advise the Ministry of Finance and the National Institute of Economic Research (Konjunkturinstitutet) which is a government accountable, but independent agency that performs analyses and forecasts of the Swedish and international economy.
52 Included is a discussion on the pros and cons of this indicator and in a footnote it is written “that it must be acknowledged that estimates of structural unemployment are particularly uncertain where economies were subject to large shocks, as was the case in Finland and Sweden in the early 1990s” (Elmeskov, Martin, and Scarpetta 1998, 205-252, footnote 4).
Another main forum for debating current economic issues in Sweden is the Journal of the Swedish Economics Association, *Ekonomisk Debatt*. In 1998, a debate ensued over the OECD’s recommendations. Carl B. Hamilton, an economist and Folkpartiet (Liberal) member of Parliament, contended that the “success stories” from the *Jobs Study* had all decreased their tax wedge.\(^{53}\) If lowering taxes to improve employment was not made a priority by the government then, Hamilton argued, increasing the flexibility of the labour market had to become an even greater priority (Hamilton 1998, 401).

In 2001, another OECD-related exchange ensued in *Ekonomisk Debatt* between Per Lundborg, a Swedish economist, and Steen Daugaard, an economist with the OECD. Lundborg argued that OECD estimates of structural unemployment in the 1990s had been wrong, and that OECD advice to deregulate the labour market had been misguided and had confused public debate (Lundborg 2001, 15). In reply, Daugaard admitted the structural unemployment estimates were not perfect and uncertainty of the NAIRU (Non-Accelerating Inflation Rate of Unemployment) was probably larger for Sweden in the 1990s than for other countries. Nevertheless, he defended the OECD’s recommendations (Daugaard 2001, 440).

While these examples show that the OECD advice was transferred into domestic debates, in fact, the movement of ideas goes both ways between the OECD and Swedish economists. For example, Swedish labour market economists have contributed to the work of the OECD as consultants. In the 1990s, the OECD published two papers by Swedish economist Lars Calmfors, one on ALMPs and unemployment, and another on

the macroeconomic effects of centralized wage bargaining (Calmfors 1993a; Calmfors 1994), as well as a piece by Swedish economist Bertil Holmlund on unemployment and the “insider-outsider” effects on wages (Holmlund 1991). Sometimes this work took place in Paris at OECD headquarters where visiting economists could share information with members of the Secretariat. For example, a section in the OECD’s *Job Study* on “crucial design features” of ALMPs was mainly based on Calmfors (1994) (OECD 1994b, 102).

Throughout the 1990s there was academic and expert discussion on OECD analysis about the cause, extent and cures for Sweden’s unemployment. Discussion sprung not only from Swedish economists, but from OECD economists asked to contribute first-hand to the Swedish debate. Sharing a common occupation made the contribution of OECD economists seem “natural,” therefore facilitating the movement of ideas.

### 7.4.2 Public Commissions of Inquiry

Public commissions of inquiry are an important first step in Swedish policy development. These commissions may involve academics, politicians, civil servants and the social partners, any of whom could be conduits for OECD ideas. A survey of these commissions reveals that throughout the 1990s, OECD analyses were cited in key commission reports on labour market policy. The OECD was most often seen in academic and research-style reports by experts supporting the work of the commission. In other words, while commissions often involved a variety of actors, it appears to have been the academics, particularly economists, who were most active in transferring OECD ideas.
One of the most discussed commissions of the decade was the Lindbeck Commission (SOU 1993:16) which aimed to identify the “basic weaknesses of the Swedish economic system” and propose reforms (Lindbeck et al. 1994, 1). The commission was made up entirely of academics, mostly economists.54 The report’s labour market policy recommendations were largely in step with the OECD, and given its pre-Job Study timing, it is possible that it fed into the OECD’s own work. One of the commission’s recommendations was “to liberalize labour market legislation and reduce unemployment benefits so as to create a more flexible labour market that can handle structural and regional change…” (Lindbeck et al. 1994, 50). Other recommendations included making firms and employees pay more of the cost of unemployment insurance (73), and decentralize wage negotiations to the firm or sector level to increase the probability of low inflation (50). Studies by Swedish scholars such as Holmlund and Calmfors were used to support the sections of the report on labour market policy (see 36-38 and 90-92). Their studies, appended to the report, referenced the OECD. Calmfors, a consultant at the OECD around this time, cited the OECD to substantiate his claim that high unemployment benefits lead to longer unemployment spells and higher “reservation wages” (Calmfors 1993b, 135).55 Calmfors also used OECD research to show how high unemployment increased union membership in Scandinavian countries (Calmfors 1993b, 144).

Similarly, the 1996 commission report on Active Labour Market Policy (Aktiv Arbetsmarknadspolitik Betänkande) referenced a number of OECD Jobs Study reports

54 It included Assar Lindbeck, a prominent Swedish economist as chair, and Niels Thygesen, a Dane who had been head of the Monetary Division of the OECD in the early 1970s and who would later, in 2000, become chair of the Economic and Development Review Committee at the OECD.

55 The lowest wage at which a worker would be willing to accept a job
(see Arbetsmarknadspolitiska kommittéen 1996, 128 and 154),\textsuperscript{56} but it was in the appended reports by experts that the OECD was used to support particular policy directions. Again, Calmfors, drawing on OECD studies\textsuperscript{57} argued that Sweden had come to rely too heavily on active labour market policies, and needed to consider reforms to the benefit system, the tax system, etc. to help fight unemployment (Calmfors 1996).\textsuperscript{58}

As part of this commission, a small team of non-Nordic researchers were appointed to provide a foreign researchers’ perspective on Swedish labour market policy (Blanchflower, Jackman and Saint-Paul 1995). All members of the team were publishing with the OECD at around this time,\textsuperscript{59} and their report for the commission drew heavily upon OECD research, with 20 citations in the 146 page report. Most OECD references were to comparative statistical information, but the authors also showed how domestic evaluations of active labour market policies in Sweden were consistent with research by the OECD. That is to say, their research found employment measures to be generally good and cost effective, but many training programs tended to show discouraging results, and employment creation measures showed diffuse short-term effects and weak long-term

\textsuperscript{56} The commission’s report notes that the OECD’s Job Study follow-up, Implementing the Strategy, showed that individual action-plans and career guidance have a clearly positive affect on employment and wages among participants, in addition to needing less resources than other employment measures (see Arbetsmarknadspolitiska kommittén 1996, 128). The commission also noted that the OECD Jobs Study recommended that benefit duration be limited in countries where these periods are especially long, and high replacement rates be decreased and eligibility conditions be tightened in places where only a short employment history is required for drawing benefits (Arbetsmarknadspolitiska kommittén 1996, 154).

\textsuperscript{57} Including the OECD’s Employment Outlook, the Economic Survey for Denmark, and a 1990 OECD study called Labour Market Policies for the 1990s.

\textsuperscript{58} In fact, Calmfors report had been published by the OECD prior to the release of the commission’s report.

effects on participant future employment (Blanchflower, Jackman, and Saint-Paul 1995, 99).

7.4.3 Civil Service

While civil servants in both Finance and Labour relied on the OECD for statistics and information, only civil servants in Finance were interested in OECD analysis and recommendations. Finance officials believed the OECD helped structure their thinking and offered options for cuts to spending at a time of constrained budgets. For officials in Labour on the other hand, OECD recommendations were perceived as too neoliberal. Recommendations aside, civil servants in the Finance and Labour acknowledged the OECD is a “huge source of knowledge” (Interview 28), appreciating its comparative analyses, grounding in current literature, and accessible writing style. As well, OECD research and analyses were seen as more “scientific” and “less influenced by politics” than EU documents (Interview 29).

There were, however, different perspectives on the OECD depending on the department. Officials in Labour claimed that the OECD did not understand the particularities of the Swedish labour market and policies. They felt the OECD over-estimated the strictness of employment protection legislation in Sweden, failing to take into account the degree to which rules could be negotiated in collective bargaining (Interview 29). Civil servants in Labour also said frankly that the OECD is simply too “neo-liberal,” and its recommendations “are almost always outside the paradigm of governments that the people of Sweden choose” (Interview 29). It was also lamented that Sweden has little influence at the OECD and gets little attention in its documents.
With Sweden’s entry into the EU in the mid-1990s, the relevance of the OECD was further weakened as civil servants in Labour became more active with the EU’s own Employment Strategy (Interview 28; Vifell 2004). As a result, civil servants from Labour described their participation in OECD meetings as much less engaged: “We go there and listen but we don’t feel part of the family” (Interview 28, 29).

This is contrasted by the relationship described by officials in Finance. These officials remarked that they were “very impressed” and strongly supportive of OECD analyses as “an invaluable intellectual infrastructure” (Interview 32). They also described the Jobs Study as “an authoritative piece” to help organize their thinking (Interview 32).

As in the other cases, for civil servants in Finance, OECD interaction differed depending on the committee or working group. The calibre of member states’ delegates, the novelty of the subject matter and whether or not the committee was mandated to reach consensus, appears to have affected how much civil servants would take from these meetings. As in Denmark and Canada, Swedish delegates to WP1 spoke of its high calibre of “intellectual exchange” providing “new insights” on structural policy issues which could be shared with colleagues back in Sweden (Interview 31). Another site of learning was in meetings with OECD officials coming to Stockholm in preparation of the Swedish Economic Survey, though the amount of learning depended largely on the topic at the time (Interview 32). It was further noted that to avoid feeling “constrained” by the Labour Ministry, civil servants in Finance asked to meet separately with OECD officials (Interview 33).

As discovered in the other cases, civil servants in Finance also used the OECD in an instrumental way, encouraging the OECD to endorse a policy direction they or their minister wanted to advance domestically. Interestingly, the venue for this instrumental
use of the OECD was the EDRC committee meetings. Unlike the OECD’s WP1 meetings, which do not require members to come to consensus, the EDRC does. A Finance official described the EDRC as a “ritual” rather than rich opportunity for learning. The task was to

“conduct the examinations in such a way that your minister doesn’t get a nervous breakdown about what is published. You have to safeguard a lot of things, so we’re not really interested in putting the best analysis on the table…Still, the Minister of Finance wants something with bite in it, because that could help push domestic discussions in a way that the Minister of Finance would like them to go” (Interview 32).

Achieving that balance, therefore, was the goal for civil servants in the EDRC peer review process, rather than taking home some new ideas. The EDRC experience was therefore very different from that described by delegates to the WP1 (in Sweden and other cases) who felt the WP1’s open discussion facilitated greater learning.

Overall, Finance was more interested in and engaged with the OECD than the Labour Ministry. This tendency reflects a broader difference in information sources used by these two groups of officials. Those in Labour, for example, rely more heavily on information from labour unions, while Finance turns to academic economists and institutes like the business-supported think tank SNS, or the OECD (Interview 33). This pattern is similar to that seen in other case studies. This use of information may reflect a number of influencing factors such as a difference in professional training between civil servants in the two ministries, the inertia of each ministry’s past practices, and, particularly in the 1990s during a time of high budget deficits and unemployment, their different roles within government, namely Finance’s role as “challenger” to the “spending” ministries such as Labour.
7.4.4 Parliament and Elected Officials

OECD ideas were taken up by elected officials as well. However, it was the centre-right political parties that were most sympathetic to the OECD’s ideas; and it was primarily in political debates in parliament, rather than in committee reports or government bills that these ideas were featured.

Government bills in the 1990s dealing with labour market issues did not refer to the OECD frequently or in a substantial way. This is true for bills originating from either centre-right or Social Democratic governments. Eero Carroll found that, while Swedish parliamentarians will quote statistics from the OECD, they “…will hardly ever point to the OECD as a source of policy proposals” (Carroll 2004, 86).

The same is true for parliamentary committee reports. The Finance Committee, which produced about 25 reports a year during the 1990s, referenced the OECD in only about four reports each year. The Labour Market Committee, producing about 20 reports a year, referenced the OECD in one or two reports at most. Mostly the OECD was a source of statistical information and forecasts of economic indicators.60

Debates in the Swedish legislature featured the OECD’s substantive policy ideas more often. Over the course of the 1990s, the OECD was referenced in roughly one of every three days of parliamentary debate.61 Roughly four or five times a year, those references occurred during debates on labour market issues.

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60 To illustrate, a Finance Committee report on “The Economic Policy for Halving Open Unemployment by the Year 2000” - a major bill in the 1990s regarding unemployment - did not reference substantive policy ideas from the OECD. The only OECD contribution was as a source of statistics such as GDP growth (Finansutskottet 1995/96).

61 Since the term ‘OECD’ can also be used to referred to a collection of countries and not the organization, to simply count the number of times ‘OECD’ appears in the transcript of debate would overestimate the actual reference to the organization. Thus, this is a rough estimate.
The bourgeois parties (i.e., Conservative, Liberal, New Democracy parties), collectively, referred much more frequently to substantive OECD ideas than the Social Democratic and Left parties, as noted by several interviewees (Interview 29, 34, 40). In the spring of 1994, for instance, the Liberal Finance Minister for the centre-right coalition government, Anne Wibble, used the OECD’s latest *Economic Survey* of Sweden not only to criticize the former Social Democratic government and to praise her own, but to argue for further reform. Quoting the OECD, she said that the replacement rate for unemployment insurance must not be raised back to 90 percent, the “merry-go-round” between unemployment benefits and ALMPs must end, and entry-level wages should be made more flexible to lower youth unemployment (Protokol Feb. 10, 1994).

When the Social Democrats returned to power in 1994, the OECD continued to be cited more frequently by the right-wing opposition. Social Democrats, for the most part, referred to substantive OECD ideas only when prompted by the opposition. Right-wing parties used the OECD to criticize existing policy and recommend reforms like altering labour laws to make hiring and firing easier; lower wages to help youth and the unskilled get hired; put an end to the practice of re-qualifying the unemployed for benefits through participation in ALMPs; and reform ALMPs (see Protokol Feb 10, 1994; Dec 20, 1994; Jan. 22, 1997; March 5, 1998).

The Social Democratic response is noteworthy. Rather than attack or dismiss the OECD, they assured the opposition that they had read the reports and would recount any praise they had received from the OECD such as their progress in bringing down inflation or the deficit (see Protokol Dec. 21, 1994; March 5, 1998).

Interviews shed more light on this pattern. There was skepticism about the OECD at the political level of government, particularly by the Social Democrats (Interview 28.
When OECD reports were presented to the Social Democratic Minister of Labour, one civil servant recalled the Minister describing them as “neo-liberal” and “too political” to be of any interest (Interview 29). A social-democratic advisor to government argued that they suspected that the OECD had harvested ideas from the political opposition, the Central Bank, employers association and other Swedish political actors (Interview 34). Civil servants in Finance described learning to work with the Social Democrats’ skepticism. Rather than present OECD advice directly, they would use OECD analysis to show how a policy solution had worked in other OECD countries. “Benchmarking was useful,” remarked a Finance civil servant (Interview 32).

Overall, the right-wing political parties were much more instrumental than the Social Democrats in bringing OECD ideas into debates. Furthermore, the more frequent use of OECD ideas in parliamentary debates, rather than committee reports or government bills, suggests that OECD analysis and recommendations were being used primarily for political purposes. They were used to shame one’s political opponents or bring praise upon oneself, rather than provide a source of ideas for policy proposals.

7.4.5 Social Partners

There is much evidence that the social partners tapped the OECD’s ideas about a flexible labour market. There is less evidence they introduced those ideas into public debate. As in Denmark and Canada, the social partners in Sweden have links with the OECD through their involvement in TUAC and BIAC. All three unions confederations - LO, SACO, and TCO - are members of TUAC, and the employers’ confederation is a member of BIAC. As mentioned in chapter three, TUAC and BIAC provide members
with opportunities to discuss OECD issues through participation in the OECD’s labour/management programme, internal working groups, and OECD conferences on labour market issues.

SAF and labour union organizations also interact with the OECD during its preparatory missions for the Swedish Economic Surveys (Interview 35; 36; 37). Some interviewees, including a civil servant in Labour and a union confederation representative, argued that the OECD spends more time with SAF than with the labour organizations during their visits (Interview 29; 36), which gives SAF a better opportunity to feed its policy recommendations to the OECD (Interview 29). On the other hand, an LO economist described OECD officials as having “an open attitude” and seeking out analyses that differed from their own (Interview 35), while an advisor at SAF described the OECD visits simply as a way for the OECD Secretariat to get a sense of the overall economic and political developments in Sweden (Interview 37).

Labour organizations and SAF use OECD statistics and analysis in their work. LO subscribes to a variety of OECD statistics, which they “trust,” and their economists regularly read OECD publications (Interview 35; 36). Nevertheless, labour union economists, particularly from LO and TCO, largely do not agree with the OECD’s recommendations. Regarding the Jobs Study, there is evidence that the Nordic countries, including Sweden, were initially in favour of the study because they expected it to emphasize the use of ALMPs for fighting unemployment (Interview 36; 4). But as a LO economist recalls, they had little expectation of influencing the direction of the Jobs Study since the work of the OECD had to “meet the rule of consensus” and the study was “immense,” making it difficult for the trade unions to carefully follow all aspects of the study once underway (Interview 36).
There were, however, some OECD analyses from the 1990s supported by Swedish labour. As discussed in chapter 4, differing perspectives on labour market policy existed between the OECD’s Economics Department and DEELSA, as well as within DEELSA itself, which meant that the OECD produced some publications which departed from the general thrust of the Jobs Study. Swedish unions were aware of these differences internal to the OECD. With the more like-minded economists in DEELSA, the Swedish unions gladly exchanged reports and other kinds of information (Interview 38). One OECD publication in particular, the Employment Outlook for 1996, was heavily used by the union confederations. Its key findings cast doubt on whether lower wages helped unskilled and inexperienced workers get work, and whether strict employment protection was really the cause of Europe’s high unemployment (see chapters 3 and 5). LO economist, Dan Andersson, for example, used this Employment Outlook to argue in the newspaper Dagens Nyheter that a deregulated labour market, as exists in the United States, only leads to larger wage disparity and not to more jobs (Andersson 1996, 04). 62

On the employers’ side, there is not a great deal of evidence that they made use of OECD analysis. While, an advisor to the SAF said they received “excellent material from the OECD” via their participation in BIAC committee, SAF believed that had they put OECD ideas out for public debate, they would have largely fallen on deaf ears (Interview 37). A search through Dagens Nyheter for any public display of interest by the employers association in the OECD Jobs Study turned up very little, as does a search through the

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62 Bo Ekegren, a writer for the newspaper Svenska Dagbladet, said of this particular publication that “no [OECD or EU] publications has aroused nearly as much attention or been cited so persistently in Swedish debate” (Ekegren 1996, 2, my translation).
publications of SNS, the SAF’s affiliated think tank. Though, when the OECD Economic Survey of Sweden for 1997 was released, the SAF’s chef economist was quoted as saying that “the OECD made the same analysis of Sweden’s problems and possibilities as businesses and employers make” (Olsson 1997, 13, own translation).

Overall, the social partners in Sweden were active and engaged with the OECD, no doubt because of their membership in BIAC and TUAC. However, they did not play a large role in moving OECD ideas into public debate, notwithstanding the LO’s use of the OECD Employment Outlook for 1996.

7.4.6 The Press

Swedish media covered the OECD fairly consistently. Dagens Nyheter and Svenska Dagbladet, Sweden’s two national newspapers covered the OECD’s Economic Outlook and Economic Surveys on Sweden regularly. Reports such as OECD’s Employment Outlook and even the Economic Surveys of other countries such as Ireland or Italy were also covered (e.g., Tidningarnas Telegrambyrå (TT) 1995; Schück 1994a; Myrsten 1997, 43). The Jobs Study received attention when it was released, as did follow-up studies (Schück 1994b, 02; Schück 1995, 03; Schück 1997, 13). In Dagens Nyheter, articles on OECD reports were found in both the “A” section (political/news) and the “C” section (economy) of the paper. While some OECD-related news made the front page of

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63 Though the SNS did publish analysis and policy advice similar to the OECD’s. For example, Welfare State in Transition – An American Perspective on the Swedish Model, a 1995 joint report with the U.S. research organization, National Bureau of Economic Research (NBER) echoed the labour market analysis of the OECD.

64 Dagens Industr, Sweden’s largest daily business paper has articles archived from Sept. 7, 2004 only in the media database, mediearkivet. It is therefore not possible to judge OECD coverage in the 1990s for this paper.
the business section (e.g., Schück 1994c, 01), the OECD did not appear to get coverage on the newspaper’s front page. The same was true in *Svenska Dagbladet*.

Coverage of OECD reports was such that a regular reader would have had a good sense of the main recommendations of the OECD *Jobs Study* (Schück 1994b, 02) as well as the specific recommendations for Sweden (Ekegren 1997, 2). Most articles provided a summary of OECD findings, but far fewer provided further analysis or reporting on possible reactions to the reports (Schück 1994b, 02). According to a long-time reporter on economic issues and particularly on the OECD, seeking the reactions of key political players was unnecessary, since their reactions could be easily inferred. It was unlikely that any politician would admit that he or she held a particular opinion because of an OECD finding (Interview 14). As a case in point, holding a joint press conference with the OECD during the release of an OECD country study on Sweden was something no Swedish government did in the 1990s (Interview 14). Overall, while the press reported on OECD ideas, it was not a significant venue for debate about OECD ideas.

In summary, the sudden and dramatic rise in unemployment in Sweden led to much debate about labour market policy in which OECD analysis and recommendations played a role. OECD ideas appeared in economic journals, commissions of inquiry reports, parliamentary debates, and the press. Most active in the transfer of ideas were academic economists who not only cited OECD research in commissions of inquiry, but who also invited OECD economists to engage in domestic academic debates on the problem of unemployment. Also fairly engaged were civil servants in Finance who valued the OECD and how it helped structure their thinking and offered the opportunity for seeking endorsements for policy directions favoured by their minister. Amongst
elected officials, a stark difference existed between the Social Democrats and the centre-right parties. The latter were much more instrumental in bringing OECD ideas into political debates. The Social Democrats’ lack of interest in the OECD’s perspective on labour market policy was particularly felt by their civil servants in the Ministry of Labour, who, as a result, largely ignored OECD recommendations despite their routine engagement with the OECD in Paris and Stockholm. The social partners, who had also established links with the OECD, through BIAC and TUAC, were not significantly instrumental in carrying OECD ideas - notwithstanding LO’s reference to the OECD Employment Outlook for 1996. Finally, though the press reported on OECD reports rather consistently, newspapers were not a significant venue for the debate of OECD ideas.

Noticeably, there appears to be little correlation between the existence of a formal link with the OECD and the level of transfer. Instead, what appears to be at play is the degree of ideological congruence between agents and the OECD. Social Democrats perceived the OECD as ideologically misaligned with their understanding of the labour market, and were uninterested in what the OECD recommended. Other actors were more open to OECD ideas, including academics and economists, some civil servants, and SAF. These actors either saw the OECD as ideologically aligned or as a group of fellow economists to naturally be included in debate.

Amongst those agents willing to consider OECD ideas, policy learning was a key mechanism in the transfer of ideas. Scholars have argued that social learning is more likely to occur in less politicized, more insulated settings, where participants engage in deliberative arguments and the persuader is an authoritative member of the persuadees’ in-group (Checkel, 2001: 549, 563). Consistent with these conditions, Finance officials described the free exchange of ideas in the OECD’s WP1 or at meetings in Stockholm as
more conducive to policy learning than the more politicized meetings of the EDRC.

Similar conditions would have existed in academic settings, whether in the pages of a journal or a workshop held by the Economic Council of Sweden.

Another mechanism in the transfer of OECD ideas was the desire on the part of some to find evidence to bolster their own positions. Bourgeois parties, for example, used OECD ideas in parliamentary debates and in the media to lend support to their own policies and as a way to attack the Social Democrats for a lack of action.

In all, OECD ideas certainly found their way into Swedish policy debates. While not central to the public discourse, as evident from press coverage, they did inform other debates occurring in academic journals, in parliament and among civil servants.

7.5 The Acceptance and Impact of OECD Ideas

Many changes were made to Sweden’s labour market policy in the 1990s. Yet, the OECD considered Sweden’s follow-through on its recommendations to have been rather weak. The following shows that the extent of reform was limited because the Swedish (the Rehn-Meidner) model of labour market policy, while attacked, was not sufficiently discredited for the OECD model to have had any real sway. Reforms that were undertaken worked within the established model, and were driven more by the desire to cut spending and bring the deficit down than by any desire to achieve major restructuring.

The following section begins by looking at developments in policy and program areas where the OECD recommended reforms, and following that, discusses the response to OECD ideas by the major policy players in Sweden and what could account for the limited impact of OECD ideas.
7.5.1 The Impact of OECD Ideas

A 1999 OECD study showed Sweden had not taken “sufficient action” on any OECD labour market recommendation, though, partial or “some” action had been taken on 5 of the 11 recommendations. Given that some reforms moved policy in an opposite direction, and that not all reforms were equally weighted, Sweden’s actual follow-through score was less than 30 percent (OECD 1999b 51). This section looks at the changes made to labour market policy in the 1990s – or lack there of. While the bourgeois government made some reforms that moved policy in the OECD’s recommended direction, once they lost power, many of these reforms did not last. With the support of LO and other union confederations, the Social Democrats were the main players shaping policy in the decade, and many of their reforms were not in line with the OECD’s recommendations.

Financing Unemployment Insurance

Though there was much discussion and a number of UI reforms altering the administration of benefits, there were no policy proposals in the 1990s that addressed the OECD’s recommendation to establish “a strong direct link between social insurance expenditure and employee and employer contributions” to strengthen the incentives for unions and employers to consider the effects of their wage negotiation on unemployment (OECD 1997b, 101).

In 1993-94, the bourgeois government, with support from the populist, far right New Democracy Party, created a “public and obligatory” unemployment insurance which gave unemployed persons who were not members of union-administered funds the

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65 The New Democratic Party was populist-protest party that had seats in parliament in 1991 until 1994. It was anti-immigration and advocated for massive tax reductions.
same level of income-related benefits as those who were part of the union-administered fund (Ljungberg 1994, 7). While such a reform arguably diminished the power of the unions (by reducing the incentive to join), it was not clear that this system would be “self-financing” nor did the reform make employees and employers shoulder a greater share of the cost of benefits.

When the Social Democrats returned to power, they restored the union-based system with support from the Left party (Andersen 2001, 1082). Then, in 1997, the Social Democrats moved the system further towards union control by merging the supplementary compensation system (KAS) with the union-administered unemployment insurance, making both union-administered (Clasen et al 2001, 231; Timonen 2003, 97). In all, none of these changes addressed the OECD’s recommendation that labour unions and employers take more responsibility for the cost of unemployment.

Reducing Unemployment Benefits

The OECD had also recommended increasing the incentives for the unemployed to return quickly to regular work by lowering the UI replacement rate, tightening eligibility, shortening duration and making job availability criteria more strict. It also suggested that active measures not be used to re-qualify the unemployed for benefits.

These changes were debated in Sweden, and a number of reforms to unemployment insurance were made in the 1990s. While some reforms were consistent with OECD recommendations, the structure of unemployment insurance did not change significantly during the decade (Andersen 2001, 1083).

In 1993, the centre-right government and the Social Democrats, in opposition at the time, agreed to lower the UI replacement rate from 90 to 80 percent. A five-day
waiting period (which made unemployment insurance less “generous”) was also introduced (Timonen 2003, 95). In 1994, the centre-right government, relying on support from the New Democratic Party, put a limit on the possibility of re-qualifying for unemployment benefits through participation in ALMPs (Jochem 2003, 128). Overall, the bourgeois government’s reforms were in line with OECD recommendations.

When the Social Democrats returned to power in 1994, they undid the reform putting an end to re-qualifying for UI benefits through participation in active measures (Andersen 2001, 1082; Jochem 2003, 128). Apart from this, however, the Social Democratic government’s approach to UI benefits, was marked by what their predecessors had started, namely small cuts to UI. The reduction in the replacement rate for unemployment insurance remained and, in 1995, with support from the Center Party – the first cross-class collaboration since the 1970s – the Social Democrats made a further cut to the replacement rate, reducing it from 80 to 75 percent of qualifying income (Proposition 1994/95:150; Jochem 2003, 128).

The Social Democrats also proposed further reforms, including lengthening the qualifying time for unemployment insurance benefits from five to nine months of work, increasing the number of waiting days from five to six, and changing to a different and less generous formula for calculating benefits (Timonen 2003 96-97; Linders and Kalander 2007, 424). The Social Democrats even changed their minds about allowing requalification for UI through participation in ALMPs and proposed a three year limit on benefits (Andersen 2001, 1082).

Labour unions and the public were upset by these cuts and proposals. For the first time, Swedish unions held large-scale protests against the Social Democratic government

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66 Or rather ‘reintroduced’ after being abolished in the 1980s.
Public disapproval of the Social Democrat’s handling of unemployment was also evident in their poor performance in the 1998 elections in which they lost 30 seats and 8.9 percent of the popular vote (Timonen 2003, 65).

The Social Democrats began to rethink their proposals and initiated negotiations with both LO and the Centre Party. In February 1997 they reached an agreement. The UI replacement rate would increase to 80 percent and the unemployed would work 6 instead of 5 months during a 12 month period to be entitled to unemployment benefit, far less than the 9 months proposed earlier (Johansson 2001, 69). As well, the proposal for a limit to benefit duration was dropped (OECD 1998, 72; Jochem 2000, 133). In sum, though cuts were made to unemployment benefits, reforms in the 1990s did not go far in the direction recommended by the OECD.

Reforming Active Labour Market Policies (ALMPs)

The OECD recommended that Sweden reduce its ALMPs by targeting them and other job brokering activities on the long-term unemployed and other vulnerable groups. It also recommended that remuneration for subsidized jobs be lowered to provide incentives for seeking out ordinary jobs. By the late 1990s, however, the OECD determined that while some progress had been made in this area, more was needed.

In terms of size and scope, ALMPs are a major component of labour market policy in Sweden, reflecting a deep commitment in Sweden to these measures. When unemployment began to rise in the 1990s, the “knee-jerk” reaction was to increase spending on ALMPs (Interview 39). At that time, all political parties believed ALMPs should play a major role in alleviating the problem of unemployment. While ALMP spending as a percent of GDP fell during the 1990s, it was a slight decline. And while the
proportion of unemployed in active measures also fell, the absolute number of participants increased tremendously (Timonen 2003, 199).

Despite this commitment to ALMPs, there was a growing sense by the mid-1990s that the return on investment for ALMPs was poor, and some reduction was necessary (OECD 1999a, 79). With the economy beginning to improve, greater emphasis was placed on job-matching (e.g., job-counselling and job-search assistance) rather than placing individuals into ALMPs. The Labour Market Board was soon instructed to “shift its focus from the quantity to the quality of ALMP schemes” and 70 percent of those participating in courses providing vocational skills were to be in employment within three months (OECD 1999a, 78). However, while the long term unemployed were getting higher priority for ALMPs, their share in ALMPs was roughly similar to their share of the overall registered unemployment – thus, the OECD concluded more targeting was needed (OECD 1998b, 74-75).

As recommended by the OECD, lower remuneration was given to some clients in ALMPs. Traditionally, those in work experience programs were paid a market wage. However, this was not the case with some of the programs introduced in the 1990s, which linked compensation to the replacement rates of unemployment benefits. A workfare element was also introduced into Sweden’s labour market programs for youth. The Development Guarantee (utvecklingsgaranti) obliged young persons who had not found employment within 90 days to participate in training or work projects in order to receive their unemployment benefit (Kildal 2000, 10).

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67 This included Working Life Development (arbetslivsutveckling or ALU), which was aimed at the longer-term (over six-months) unemployed, and Youth Practice Placement (Ungdomspraktikplats).
Overall, reforms to ALMPs in the 1990s, while in the OECD’s recommended direction – targeted at the long-term unemployed and youth and with lower remuneration in some cases – did not go far enough for the OECD. Taken together with the fact that the unemployed could move indefinitely from benefits to activation and back again, as mentioned above, the OECD continued to believe more could be done to improve ALMPs in Sweden.

Reducing Employment Protection Legislation

The non-socialist government also made significant reforms to Sweden’s employment protection legislation which were later reversed and reformed again by the Social Democrats during the 1990s. The overall effect was that employment protection was eased only slightly.

In 1994, the non-socialist government altered the last-in-first-out rule for layoffs to allow employers to exclude two employees from this rule for each job description. The non-socialist government also extended the probationary period for new employees from six to twelve months. Both of these changes, however, were abolished by the Social Democratic government (Björklund 2000, 157).

After a failed attempt by LO and SAF in mid-1996 to come to their own agreement about the design of employment protection, the Social Democrats passed their own legislation. The changes – a mix of easing and tightening employment protection included: i) allowing enterprises to have five persons on fixed-term contracts of twelve months, with new establishments allowed to extend them to eighteen months; ii) allowing the length of notice periods to be determined by seniority, not age, thus reducing the relative cost of hiring older workers; iii) reducing the period enterprises are obliged to
hire laid-off workers first when hiring from twelve to nine months; iv) giving priority to part-time workers for vacant full-time positions; and v) awarding permanent contracts to workers on replacement contracts for three years within a five-year period (OECD 1997, 114b; OECD 1998b, 73-74). In addition, a modification was made to give unions at the local/enterprise level a larger scope for deviation from some of the rules laid down in law, but this was rarely utilised, according to the OECD (OECD 1999a, 76). Overall, employment protection legislation in Sweden remained restrictive and had eased only marginally according to the OECD (OECD 2001, 87). Specifically, last-in-first-out rule and the length of probationary periods remained unchanged, despite OECD recommendations to do otherwise.

**Wage Flexibility**

While there were significant changes to wage bargaining and conflict resolution in Sweden in the 1990s, Sweden’s wage disparity remained relatively low, and OECD’s suggestions of an “alignment of wages to local employment conditions and to differences in productivity structures” did not occurred (OECD 1999a, 74).

The centralized wage bargaining system began to dissolve in the 1980s. In 1990, the SAF withdrew from central wage negotiations and the boards of government agencies. The Social Democratic government’s attempt to pass a wage and strike freeze bill was defeated. A government appointed group of special mediators (e.g., the Rehnberg Group) stepped in to assist the 1990 and 1993 rounds of collective agreement negotiations which proved somewhat successful as wage increases were nearly in line with inflation (Elvander 2002, 199).
The 1995 round of bargaining, however, after protracted negotiations and work stoppages, resulted in a huge wage increase at a time of high unemployment. Peak employer and labour organizations all agreed that the wage bargaining system needed reform but were unable to come to a consensus. Agreements on new rules for collective bargaining and conflict resolution were later found at the sector level, beginning with the signing of the “Agreement on Industrial Development and Wage Formation” by the employer associations and the national unions within the manufacturing sector in March of 1997.\footnote{This agreement was unique because it covered virtually the whole competitive sector in the Swedish economy including both blue and white collar workers in that sector.} Two other similar agreements were signed for the public sector in the spring of 2000.

These agreements, however, only established the rules on how to play the game, such as timelines for bargaining and use of mediators. They did not radically alter the outcome of bargaining, at least in terms of wage disparity (Elvander 2002, 197-216). This remained despite the OECD’s recommendation that wages be better linked to skill levels, experience and productivity.

In sum, the decade was not without reforms to labour market policy. However, many of the reforms fell far short of what the OECD had recommended. The next section examines why this was so.

\subsection{7.5.2 The Acceptance of OECD Ideas}

Overall, OECD recommendations were weakly implemented because the Rehn-Meidner model of labour market policy remained the dominant paradigm despite the sharp rise in unemployment and ensuing political debate. The model’s durability was
reinforced by its ties with the Social Democratic party. In addition, the timing and nature of the rise in unemployment were such that a widespread sense of crisis never solidified. The reforms that were undertaken could primarily be characterized as attempts by the Social Democrats and unions to help restore the health of the Swedish welfare state in the face of an economic downturn and large budget deficit. But they were not seen as attempts to restructure it.

Unconvinced of Structural Unemployment

The OECD Jobs Study rested on the assumption that much of the problem of unemployment was structural. Hence, a major obstacle to the Jobs Study’s acceptance in Sweden was that, despite much debate, the issue of whether or not high unemployment was cyclical and reducible by demand management, or structural and requiring structural reforms, was never settled (Björklund 2000, 150).

Sweden had had low unemployment until 1992, which meant that the problem of unemployment could not reasonably be described as “persistent” as it had been in other OECD countries. Instead, the concern in Sweden was whether it would become persistent. It was widely accepted that cyclical factors, like a sharp fall in demand, were the initial causes of increased unemployment. And as time wore on, “structural factors were increasingly emphasized in the debate on how to emerge from the recession and how to reduce unemployment” (Björklund 2000, 150). Yet consensus was never reached. This is particularly evident from the debates among academics in the Swedish Economic Policy Review (see Vredin 1994; Eklund 1998; Daugaard 2001), and from government bills and parliamentary debates. Few government bills used the term “structural unemployment.” Political parties from the left and the right, including the Social Democrats,
acknowledged that structural unemployment had risen, but its recency meant exact figures were debatable.\textsuperscript{69} Sweden’s situation was unique among OECD countries, as it was only since the early 1990s that unemployment had reached significant levels.

The Swedish Model and Social Democratic Identity

Another reason why the OECD did not have more influence on policy making is that the Social Democrats and union confederations, who largely determined the shape of reforms, were unconvinced of the need for change. A broad range of officials from union and employer associations, the civil service, political advisors, and academics agree that the Swedish model significantly shaped the thinking of the Social Democratic Party and labour union organizations at that time. The identity of the Social Democratic Party was tied up with the Swedish model. According to one Social Democratic political advisor, the Social Democrats saw themselves as “defenders” of this model. “We have been in power so long that the Social Democrats and Sweden are the same thing” (Interview 34). Any significant changes to the welfare state would have meant questioning policies and programs that the Social Democrats had themselves built, said a SAF advisor (Interview 37). The Social Democratic advisor agreed: “We built the system and so it is more painful for us to do adjustments;” and it is mainly the opposition that looks to other countries as models for possible reforms (Interview 34).

\textsuperscript{69} For example, the Social Democrats, in their budget of 1994/95, noted that “caution” was needed when interpreting estimates of structural unemployment whether from domestic sources or from the OECD.
The Fiscal Crisis and Restoring the Welfare State

What does account for the policy reforms of that time is the realization on the part of the Social Democrats and the union organizations that the budget deficit was undermining the foundations of the welfare state and needed to be tackled in tandem with fighting unemployment (Timonen 2003, 45). From 1994 until 1998, the Social Democrats looked for savings by reducing benefit levels, tightening eligibility, and adding waiting days for unemployment insurance (Andersen 2001, 1082). It was widely believed that wanting to find cost-savings, and not a desire to restructure the welfare state, was behind the Social Democratic reforms (Interview 34, 35, 39). According to one interviewee, “[Swedes] never took up the discussion that we might need to reduce benefit levels to make the labour market function.” Instead, “the whole debate on reducing unemployment benefits was in terms of reducing costs and the budget deficit” (Interview 39).

Labour unions’ acceptance of the imperative to fight the deficit also helps explain their willingness to work with the Social Democrats and allow several reforms. However, their significant push-back on other Social Democratic proposals (such as the introduction of a three-year limit on unemployment insurance) is also evidence that they intended to preserve the current model, not introduce a new one. LO was not prepared, for example, to see wage disparity increase\(^{70}\) (Olsson 1997, 13) or employment protection significantly altered (Interview 36). Considering the magnitude of the economic crisis, “it is surprising that welfare state programs have not been cut back even more radically. That…programs have been scaled back without seriously compromising the principle of public provision,

\(^{70}\) Four Swedish union representatives (at least one each from LO, SACO, and TCO) attended a meeting of the OECD’s labour/management programme (which allows TUAC and BIAC members to discuss issues with the OECD secretariat). At this meeting in 1998 on the Jobs Study the Swedish trade unions argued that they preferred “intervention in education to support a narrow wage distribution rather than increased wage flexibility” (OECD Labour/Management Programme 1998, 11).
universalism and benefit adequacy demonstrates the influence of the labour movement on retrenchment processes” (Andersen 2001, 1087-88).

The bourgeois parties and the SAF, on the other hand, were much more accepting of the OECD recommendations. The bourgeois parties used OECD recommendations to support their policies and critique the Social Democrats. During the election of 1994, the bourgeois Finance Minister, Anne Wibble, came out strongly in favour of the Jobs Study, arguing it should be translated into Swedish to be accessible to all Swedes (Schück 1995, 03). Despite this acceptance, the bourgeois parties (with the exception of the Centre party) and SAF were unable to have significant and lasting influence on policy. Changes that the centre-right parties made while in government were largely undone by the Social Democrats in 1994; and the SAF believed that their recommendations for policy went unheard when the Social Democrats were in power (Interview 37).

In the civil service, officials in Finance remember being “clearly impressed and very strongly supportive of OECD work,” explaining that it provided an “invaluable intellectual infrastructure” when working out policy options and weighing the pros and cons of each option (Interview 32, 33). However, OECD ideas like those in the Jobs Study did not, according to Finance civil servants, provide new ideas, but rather reflected ideas already present in domestic and European academic debates. Therefore, these civil servants found it hard to attribute any particular policy change directly to the influence of the OECD. Had the Jobs Study not been published, they believe the same reforms of the mid-1990s would have been carried out (Interview 32, 33).

In the Labour ministry, even less evidence exists to suggest that the OECD had any impact on civil servants’ thinking, particularly given that they were keenly aware of the Social Democrats’ disinterest in the OECD’s recommendations. Civil servants in the
Labour Ministry were, by some accounts, more influenced by other sources of information such as the labour unions (Interview 28, 29, 33).

In any political system, new policy ideas will be faced with a set of pre-existing, embedded ideas against which they will be judged. The Swedish model of labour market policy presented a rather formidable standard with which to contend. Until the early 1990s, many labour market policy-makers in Sweden had great confidence that Sweden might never see high or long-term unemployment again. It was believed Sweden had long since developed effective methods for dealing with unemployment (Interview 39, 30). Furthermore, not much time had lapsed between the release of the *Jobs Study* and the rise of unemployment in Sweden, leaving little time for evidence to build and doubt to grow, which would discredit the old model and support the spread and influence of new ideas such as OECD ideas.

Timing was not the only factor, however, working against the influence of OECD ideas. The identity of the Social Democrats was deeply connected with the Swedish model, and the model’s persistence was important to the Social Democrats politically. The policy reform process was also dominated by the Social Democrats (and the labour union confederations, particularly LO) which meant that ideas favoured by these players were particularly influential in shaping policy. These ideas – rather than OECD ideas - were that the Swedish model needed saving, not restructuring, and that cost-saving cuts to programs would help reduce the huge deficit and restore the health of the welfare state. These cuts did not radically alter the fundamentals of labour market policy, as wage disparity remained low, employment protection high, and benefits still relatively generous.
7.6 Conclusion

The Swedish case is an example of relative policy continuity in the face of challenging economic conditions. Sweden faced unusually high unemployment and huge fiscal pressures in the early 1990s. Yet, by the end of the decade, the advice of the OECD went largely untaken. Sweden instead took a path of policy reform largely its own. In so doing, the Swedish case reveals a few things about the role of ideas in policy making.

As in the other case studies, in terms of the transfer of ideas, the perceived “authority” of the OECD was just as important to facilitating the movement of ideas, if not more important, than the structural linkages (e.g., the number or frequency of meetings) existing between groups of actors in Sweden and the OECD. Without some perception of the OECD as an authority in the area of labour market policy or ideological congruency, opportunities for policy learning were shut down or compromised, as they were when a Social Democratic minister told civil servants, that “I do not want to hear what the OECD recommends” (Interview 28, 29).

The literature on ideas has emphasized the role of crisis and/or uncertainty in opening up opportunities for new ideas to have an influence in shaping policy. The Swedish case is one example which suggests that a crisis may be necessary but it is not necessarily sufficient to open up the political arena to new ideas. Unless current ideas are themselves in “crisis,” that is, have become discredited, policy-makers and other political actors may, in times of crisis, continue to work within and be guided by the old set of ideas. In Sweden, this appears to have been the case. Despite rising unemployment and rising costs, many Swedes, particularly Social Democrats, were not convinced that the
Swedish model had failed, but rather that other events such as a global recession, were to blame for their situation and the model was worth saving and useful in the long-run.

Finally, the Swedish case highlights how current ideas can become “sticky” if tied up in the identity of a powerful group of actors, because those actors will defend those ideas in defence of their own identity and position of power. In the Swedish case, the Social Democrats and the labour union confederations saw themselves as the builders and defenders of the dominant Swedish model. They were not prepared to abandon this model easily, particularly since the rise in unemployment had occurred only recently. Election results also suggest that the public trusted the Social Democrats to get them through these hard times. Therefore, the reforms that were made during the 1990s (see Table 7.1) were primarily attempts to save the Swedish welfare state, through minor cuts (some of them temporary) to reduce spending, rather than to restructure.

Table 7.1 OECD Jobs Study Recommendations and Assessment of the Follow-through for Sweden (1999)

<table>
<thead>
<tr>
<th>Unemployment and Related Benefits</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Replacement Rates</td>
<td>Policy moved in the opposite direction of previous recommendation</td>
</tr>
<tr>
<td>Shorter Duration of Benefits</td>
<td>New recommendation</td>
</tr>
<tr>
<td>Stronger Work Availability Conditions</td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td>Tighter Eligibility Conditions</td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td>Limit Requalification Possibilities</td>
<td>No action taken</td>
</tr>
<tr>
<td>Shift Financing of UI from Government and Integrate with ALMPs</td>
<td>Some action taken, but more action needed</td>
</tr>
<tr>
<td><strong>Taxes and Social Security Contributions</strong></td>
<td><strong>Reduction in Taxes on Labour Income – Overall</strong></td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td><strong>Employment Protection Legislation</strong></td>
<td><strong>Regular Contracts – General Stance</strong></td>
</tr>
<tr>
<td><strong>Work-time Flexibility and Part-time work</strong></td>
<td><strong>Ease Constraints on Flexible Working-Time Arrangements</strong></td>
</tr>
<tr>
<td><strong>Wage Formation and Industrial Relations</strong></td>
<td><strong>Wages More Linked to Skill Level, Experience and Productivity</strong></td>
</tr>
<tr>
<td><strong>Active Labour Market Policies</strong></td>
<td><em><em>More Targeting on LTU</em> and Weak Groups</em>*</td>
</tr>
<tr>
<td></td>
<td><strong>Integration and Restructuring of ALMP Activities</strong></td>
</tr>
</tbody>
</table>

* long-term unemployed

Source: OECD 1999b
Chapter 8
COMPARING THE CASE STUDIES

This chapter ties together and further considers the three case studies of Denmark, Canada and Sweden that have each captured, in different ways, the role that ideas can play in the public policy process. The Danish case is, of the three cases, the clearest example of how OECD ideas can shape the policy process. In this case, agents who shared the neo-classical economic perspective of the OECD, such as civil servants from the Ministry of Finance, several economic think tanks, the largely business-related media and the confederation of employers associations were instrumental in transferring OECD ideas into Danish debates. While not all OECD ideas were widely accepted in Denmark, the notion of “structural unemployment” was absorbed and this was enough to have a significant impact on policy making. This concept focused the debate about high unemployment on the issue of reforming labour market policy itself, and created a common willingness among key policy actors to negotiate labour market policy reform. However, the specific shape and content of those reforms was determined through the conventional process of negotiation and consensus building involving the social partners. The final policy outcome, therefore, reflected primarily domestic political compromise rather than OECD ideas.

The case of Canada is marked largely by the way in which OECD ideas were called upon to help legitimize policy positions that actors were already inclined to take. In large part this was because Canadian actors were already largely in agreement with the OECD’s overall approach. Officials from both the finance and labour departments, employer and labour associations as well as governing politicians transferred OECD ideas
into domestic debate. More than in other cases, actors in Canada admitted using OECD ideas strategically to push for, or add credibility to, particular policy directions. This is evident not only from reports and speeches in which OECD ideas were used to help legitimize reforms, but also from interviews with actors who admitted using the OECD in this way. Despite the general sympathy towards OECD recommendations, not all recommendations were fully implemented. In Canada, deficit-cutting, not labour market policy reform per se, was the top political priority that determined which OECD recommendations were given serious consideration by government. Though even the priorities of the deficit-cutting agenda were not immune to other political constraints. Policy legacies and the strength of regionally concentrated interests were significant factors limiting the depth of reform.

Finally, the Swedish case study presented an opportunity to better understand resistance to OECD ideas. Chosen because the OECD had assessed its follow-through as poor, the Swedish case shows how, despite the movement of OECD ideas into policy debates, pre-existing ideas can hinder the acceptance of new ideas. Unless pre-existing ideas themselves have been discredited, political actors may, in times of crisis, continue to work within the existing framework of ideas, as occurred in Sweden with the Swedish model of labour market policy. The Swedish case also highlights how pre-existing ideas become more resilient if tied up in the identity of a powerful group of actors, since those actors will defend those ideas in defence of their own identity and position of power. In Sweden, the Social Democrats and labour unions saw themselves as the builders and defenders of the Swedish model and thus resisted OECD ideas that called for substantial reform.
This chapter looks across these three cases to pull out the overall patterns we can observe. The chapter is organized by the analytical concepts that have structured the analysis thus far: transfer, acceptance and impact. This chapter looks at the modes, the conditions, and the actors involved in the process of transfer and acceptance. It also explores the impact of ideas on actors’ beliefs and interests, in facilitating collective action, and altering the locus the authority, as well as domestic conditions that limit the impact of ideas.

8.1 Transfer and Acceptance of Ideas

8.1.1 Modes of Transfer and Acceptance

Overall, the three case studies have presented at least two different modes of ideational transfer. In some instances, actors engaged in a process of policy learning. In this process, actors took in new information or saw information in new ways. They reflected on how they perceived the world and/or perceived their own interests. In some instances this lead to the acceptance of new ideas, but not always.71 On the one hand, Danish civil servants in Finance who carried OECD ideas spoke of how they came to accept the concept of structural employment, and how it changed their way of doing policy analysis and inspired their thinking about labour market policy. In Canada, civil servants working in HRDC were influenced by the concepts of “active” and “passive” labour market policy which they absorbed from the OECD. On the other hand, in

71 In some cases, the acceptance or rejection of ideas by agents of transfer may be hard to discern. One such example is the press. The press were agents of transfer in all three case studies, but their acceptance of OECD ideas was unclear. Sometimes the press acted as a venue for other actors to express their acceptance of OECD ideas (as seen in the Danish case study); other times, the reporting by newspaper staff was largely neutral with no clear position on OECD ideas being evident (see Sweden and Canada).
Sweden, academic economists actively considered and responded to the research and writings of OECD economists, but largely rejected those ideas.

A second mode of transfer observed in these cases is the use of OECD ideas in an instrumental manner to bolster or legitimate a policy position agents already wanted to take. In Sweden, the right-wing opposition attacked the Social Democrats, and in Canada, the Liberals justified policy reforms, all with reference to OECD ideas. In these examples, the evidence suggests that OECD ideas, rather than shaping the thinking or interests of agents who used them, instead provided support to pre-existing interests or ways of thinking. Thus, not all acts of transfer occurred in the same way, but rather, some actors engaged in a process of learning and others used ideas in an instrumental manner as they acted on pre-existing intentions.

8.1.2 Conditions of Transfer and Acceptance

As indicated by previous research, perceived uncertainty and policy failure were present for those actors who engaged in policy learning. Previously held ideas no longer helped in making sense of one’s world and many actors faced uncertainty over the very nature of the problems they faced, the appropriate policy directions they should take, and even where their own interests lay (or what Blyth called Knightian uncertainty). This was seen most clearly in Denmark where there was much uncertainty about how to interpret the anomalous situation of simultaneously high domestic demand, wage inflation and unemployment. Longstanding labour market policies and practices were not having their usual effects it appeared. Under these conditions, some agents were motivated to consider

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72 Mark Blyth (2001) has written that ideas can be “weapons” and indeed that would also be a fitting description for how ideas can be used.
new ideas through a process of learning. Danish finance civil servants and others adopted new ways of undertaking economic analysis. The idea of structural unemployment came to dominate and the need for reform became widely accepted. Actors sought out new ideas because of their need to “interpret the environment, reduce uncertainty and make purposeful collective action possible” (Blyth 2002, 9-10). A similar sense of uncertainty and need for policy reform, though not as widespread, existed in Canada too, particularly among civil servants in HRDC.

In Sweden, what may have seemed like a crisis to an outside observer, did not create a widespread sense of uncertainty or policy failure, not enough to discredit the Swedish model of labour market policy. The rise in unemployment had been quite sudden and had not yet proven to be persistent, which, had it been otherwise, might have undermined current beliefs about the Swedish model of labour market policy.

It is not only the discrediting of “old” ideas that determined acceptance in these cases, however. As other ideational scholars have noted, there was also a need for new ideas to fit with the environment into which they entered. In particular, acceptance appeared to be contingent on whether these new ideas could be reconciled with the beliefs and values that uncertainty had not weakened. For example, in the early 1990s in Canada, the growing deficit and debt were preoccupying the Canadian government, particularly those in Finance. Ideas that fit with this deficit cutting agenda therefore stood a greater chance of acceptance. In Denmark, labour unions and the Social Democrats shared a common desire to preserve the standard of living of the unemployed and they saw any major reform that lowered unemployment benefit levels and wages as incompatible with this. In none of the three cases had former ways of thinking – values and understandings of the world – been so discredited that the OECD package of ideas was embraced in its
entirety. In all cases, many pre-existing beliefs influenced actors’ judgments and, therefore, help explain much of the acceptance or lack of acceptance of OECD ideas.

These conditions (e.g., conditions of uncertainty and ideational fit) explain much more of the process of transfer and acceptance than the nature of the structural arrangements that these countries had with the OECD. All OECD member states had the same general structure of linkages, yet different outcomes in terms of acceptance. All countries sent delegations, all received OECD officials during country visits. Business and labour groups in all three cases engaged with BIAC and TUAC respectively; and civil servants, regardless of their interest in the recommendations of the OECD paid attention to OECD work because they found it to be a useful resource for comparative indicators and statistics.

However, on top of that similar foundation, some case study-specific linkages with the OECD existed. What is most remarkable about these is not how they resulted from inherent differences in state or societal structures, but rather from the ad hoc actions of actors manipulating their own environment and relations with the OECD. We saw, for example, how in Denmark, civil servants in the Ministry of Finance actively re-organized parts of their department to facilitate the flow of OECD ideas into key policy analysis and decision making areas. In Sweden, civil servants in the Ministry of Finance, by requesting that they meet separately from their counterparts in the Labour Ministry, shaped the nature of their conversations with visiting officials from the OECD. In Canada, a senior official interested in the outcome of the Jobs Study sent several government employees to the OECD on secondment to deepen their engagement with the organization. Such examples, admittedly, do not explain why there was an initial interests in OECD ideas, but rather show that when actors become interested in learning or taking ideas from the
OECD, they are able to manipulate their environments and their relationships with the OECD to suit their needs and further facilitate the transfer of ideas.

In addition to these conditions in the broader environment, conditions in the immediate environment (i.e., in the forums of discussion) were also important for facilitating transfer and acceptance. Evidence from interviewees across the cases shows that learning was more likely in OECD committees which were more insulated from political pressure and exposure. An illustrative example of this is the comparison between experiences in the OECD’s WP1 and the EDRC committees. Many interviewees described gaining great insight and ideas from the frank and open discussions of the WP1, while many interviewees who attended the EDRC described an experience shaped by the dominating need to ensure that the committee’s final reports reflected the wishes of their minister. The differing mandates and structures of the committees contributed to these experiences. Structuring the interactions of the EDRC is a process of formal peer review. Peer pressure permeates the interaction. The outcome is a publication (the *Economic Survey*) that has analysis and recommendations which have the potential to put a government in a defensive position. The WP1, on the other hand, has no formalized process of peer review, and while discussion feeds into published working papers, no publication like the *Economic Survey* with country-specific recommendations results from the WP1 discussion.

Evidence from the case studies also suggests that conditions conducive to learning were also present in the domestic arena. For example, the strong role of academics and think tanks in moving OECD ideas, particularly in Denmark and Sweden, can be explained in part by the fact that this group of actors interacted in forums (e.g., workshops, government committees or in published journals), which allowed, like the
WP1, debate and the free exchange of ideas. OECD officials contributed to these debates, opening up the opportunity for learning to operate as a mode of transfer and acceptance for OECD ideas.

8.1.3 Actors of Transfer of Acceptance

There is a striking similarity across the three cases in the types of actors that carried OECD ideas. In almost all cases, civil servants in Finance, neo-classical economists from academia or think tanks, employer associations, the business-related press, and centre or right of centre politicians were agents of transfer.

The role of civil servants in the process of transfer is the least surprising, given their role as official delegates to meetings of the OECD; however, the stronger interest by those in finance ministries compared to those in labour ministries, is noteworthy, and will be discussed further below. Politicians, unless they were ministers in the government, may not have had direct contact with the OECD, yet many opposition politicians referred to these ideas. The role of employer associations and unions in carrying OECD ideas is somewhat expected, given that these organizations have formalized access to the OECD via their involvement in BIAC and TUAC. Only the employer associations, however, communicated OECD Jobs Study recommendations in a positive light. The labour unions were largely unsupportive, debating the validity of OECD ideas in an attempt to discredit them, as occurred in Canada, or, as seen in Sweden, referring to the few OECD studies that challenged the findings of the Jobs Study.

Yet, why do we see the actors we do transferring OECD ideas into domestic policy debates? Why did some actors engage in learning and others use OECD ideas
instrumentally? The similarity in the type of actors that transferred and accepted ideas confirms what other research has shown, that one’s profession or in-group matters for learning and accepting new ideas. Having few ingrained beliefs that are inconsistent with the persuader helps facilitate transfer and acceptance. For some individuals or groups more than others, the OECD’s neo-classical economic approach and its recommendations better met their standard for quality research and/or fit with prior beliefs and assumptions about the world. In these case studies this included certain mainstream economists, employer associations, etc..

The Swedish case in particular highlights another dimension to how pre-existing beliefs facilitate or hinder acceptance. In Sweden, the Social Democratic party and labour unions saw themselves as the builders and defenders of the Swedish model, and they benefited politically from this image. Therefore, making significant reforms to the welfare state, as the OECD suggested, would have meant not only dismantling policies and programs they took credit for, but undermining an aspect of their identity. If incoming ideas challenge beliefs that are core to agents’ identities, agents are less likely to accept them.

In Denmark and Canada, the governing parties were not identified as trusted defenders of the welfare state in the same way. In Canada, the governing parties, the Liberals and the Conservatives, had historically been less ideologically rooted, shifting their policy platforms over time in an attempt to occupy the ideological centre. And unlike Sweden where the Social Democrats governed for much of the last half of the 20th century, the Liberals and Conservatives alternated their time in power such that no one party could easily claim to be the builder or defender of the welfare state. In Denmark, the Social Democrats were never as strongly linked to the Danish model as the Swedish
Social Democrats were linked to the Rehn-Meidner model. There are a number of reasons for this. Given Denmark’s larger agricultural sector, agrarian interests were stronger in Denmark than in Sweden, and the union movement was more decentralized and diverse (less dominated by industrial unions in the export sector as in Sweden). This in turn, made for a weaker social democratic party which often needed bourgeois coalition parties to govern (Huber and Stephens 2001, 141). Furthermore, in the late 1970s and early 1980s, when many OECD countries were experiencing economic troubles, the failure of Keynesian strategies to lift Denmark out of economic turmoil was blamed on the Social Democrats. In 1982, the Social Democratic Prime Minister resigned, handing over responsibility to the non-socialist government, which the Danish electorate interpreted as the Social Democrats simply giving up because they could not govern the economy. This reputation lasted (Green-Pedersen 2002, 514). Thus, even in Denmark where, like Sweden, a social democratic party had a strong political presence, identity was not a key mediating factor as it was in Sweden. The Social Democrats in Denmark, as we saw, were able to embrace a new trajectory for labour market reform because their identity was less tied to the existing model of labour market policy.

Where OECD ideas were used by actors instrumentally as “weapons,” these ideas not only fit with pre-existing beliefs, but also aligned with policy positions actors already knew they wanted to take. In Canada, the OECD recommendation to cut unemployment benefits fit with the government’s desire to reduce the deficit. In Swedish parliamentary debates, right-wing political parties referred to OECD ideas and recommendations which were similar to the reforms they themselves had tried to implement while in power. In such cases, where OECD ideas lined up with the pre-existing policy directions of certain
actors, the more interesting question is not why *these* actors were involved in the process of transfer, but why these actors turned to *OECD ideas*?

The answer to this question gets at part of the *raison d’etre* of the OECD itself. As discussed in chapter 3 and 4, the OECD is a venue not only for the exchange of knowledge but for building consensus among peers, that is, fellow industrial democracies. A large study like the *Jobs Study* comes to represent the “conventional wisdom” of the time (Interview 14). When civil servants or politicians reference OECD ideas, they draw upon the persuasive power that comes from the assurance of going along with a consensus. As chapter 3 and 4 described, several OECD committees (such as the EDRC) employ peer review and some committees, particularly the governing Council, operate by consensus. OECD ideas based on this process of gathering consensus cannot be easily dismissed by member states wanting to be seen as in line with the conventional wisdom. Even in Sweden, Social Democratic politicians, who largely did not agree with the findings of the *Jobs Study*, carefully defended themselves in parliament against an opposition referencing the OECD. As we saw earlier, one Canadian civil servant explained that if you can get the OECD to endorse a policy, “you then had a better chance of persuading the cabinet, parliament and the public” (Interview 15).

The case studies have also shown that the acceptance of ideas can be aided by the persuasive powers of particular actors. In Denmark, both the Minister of Finance and the head of the Zeuthen Commission Secretariat (who was a senior civil servant from Finance) were perceived as playing an important role in the reform process: the Minister helped stake Finance’s claim on a greater piece of labour market policy than they had occupied in the past, and the head of the Zeuthen Commission was perceived by many commission members as being a skillful negotiator. As other scholars have found, the
impact of ideas can depend on who accepts those ideas and the skill with which actors communicate those ideas.

The cases also show the presence of epistemic communities which, as described by Haas and others, consisted of individuals with a recognized expertise and competence in a policy domain and an authoritative claim on policy-relevant knowledge. We saw, particularly in Denmark and Sweden, networks primarily of economists, including economists from the OECD, with expertise in labour market policy, who shared and promoted their ideas, thereby facilitating the transfer and sometimes acceptance of those ideas. In Sweden, economists working in non-governmental organizations such as think tanks and universities brought OECD officials and their ideas into forums of discussion (e.g., academic journals, meetings). As well, domestic economists worked as consultants to the OECD. In Denmark, economists in DØR, academia, the Ministry of Finance and the OECD were among the first in Denmark to articulate the problem of unemployment as one that was structural and identify policy solutions. In both Sweden and Denmark these links with the OECD existed despite not having as many formalized interactions and structures with the OECD as civil servants or government officials. However, the lack of consensus among experts in the Swedish case, does place some doubt on whether they can be called an epistemic community given the definition from Haas that these communities shared causal beliefs (Haas 1992, 3). In Denmark, the case is more clear, where interviews and documents show similarities in their assertions and, thus a more clearly articulated reform agenda, to which politicians and others could refer.

In summary, policy transfer and acceptance were driven either by a process of policy learning or by actors or groups of actors who believed that reference to OECD
ideas could be instrumental in political debate. Different conditions facilitated the two processes. Perceptions of policy uncertainty and policy failure motivated individuals to engage in learning, which was also aided by opportunities for individuals to meet and discuss, openly and in less politicized environments, issues of common concern. As well, the degree to which new ideas fit with the pre-existing goals, beliefs and values mattered for ideational acceptance. The Swedish case in particular showed how existing beliefs can become tied up with the identity of powerful actors, making them more resistant to displacement by new ideas. In other cases, the OECD harnessed an existing competitive (or “keeping up”) nature among nations to drive processes of peer review and consensus building. The ideas emerging from these processes were brought into the domestic arena as instruments of persuasion. The formal linkages connecting OECD to the domestic arena were similar across the cases and did not help explain the difference in the movement of ideas, but there were several ad hoc attempts (e.g., reorganization of the bureaucracy) to manage and better facilitate the flow of ideas from the OECD, which differed across the cases.

Finally, these three case studies also shed light on the types of actors involved. In almost all cases, civil servants in Finance, neo-classical economists from academia or think tanks, employer associations, the business-related press, and centre or right of centre politicians were agents of transfer. Notably, these agents shared a common mainstream, liberal economic orientation which contributed to their receptivity to OECD ideas as well as facilitated the learning process. Though, in rare instances actors did come to accept ideas not immediately aligned with what one might assume to be their interests, such as the unions and the Social Democrats in Denmark who came to accept the notion
of structural unemployment, and the need for labour market policy reforms. The role of actors in promoting certain ideas was also highlighted, particularly in the Danish case.

8.2 Impact of Ideas

Documents published by the OECD have assessed the degree to which OECD countries followed through on the recommendations of the Jobs Study. These assessments have shown that Canada and Denmark followed through to a fairly high degree relative to other OECD countries and to a much greater degree than Sweden. It was these assessments that informed the case selection for this thesis, as described in chapter 2. While these levels of follow-through can be considered initial indicators of the influence of OECD ideas on policy making, it has been argued throughout this thesis that the influence of ideas cannot be fully determined simply by examining policy change alone.

As these case studies have shown, ideas play a role in altering actors’ beliefs and interests which in turn can have an impact on the policy process and policy itself. Given this complexity, an ideational analysis needs to take an approach that breaks down the process into transfer, acceptance and impact – as this thesis does. Consider for example, the comparison between Denmark and Canada. While both countries followed through on their recommendations to a similar extent, the impact of OECD ideas was very different.

In Denmark, the introduction of OECD ideas had several impacts: individuals changed how they perceived the world around them (i.e., the problem of unemployment), and changed, to some extent, what they perceived to be feasible solutions to the problem of unemployment (i.e., fixing programs and policies aimed at the unemployed). In turn, these new ideas provided intellectual common ground, facilitating an end to political
stalemate and the setting up of a commission where negotiations over reform could take
place. The labour unions recognized that it was now in their interest to take part in the
commission, rather than follow the Social Democratic Party’s lead in not cooperating
with the governing centre-right coalition. In the end, a significant change in the trajectory
of labour market policy – a policy paradigm shift – occurred in Denmark with the
creation of the now well-known “flexicurity model” of labour market policy that
combined stricter limits on the availability of unemployment benefits, activation for the
unemployed and low employment protection.

In Canada, on the other hand, the primary impact of OECD ideas was to reinforce
the policy directions that many key actors were inclined to take. This reinforcement was
not insignificant, as the policy changes that occurred, such as the tightening of eligibility
and generosity of unemployment benefits, may have been more accentuated or
accelerated having received the backing of the OECD. Nevertheless, the impact of OECD
ideas occurred in two very different ways in these two case studies.

Another major theme across the three cases was the significant mediation of the
impact of accepted OECD ideas by domestic factors. New ideas were not always widely
accepted. Because historically determined structures of power and accountability, and
political and policy-making conventions gave some actors a greater role in policy making,
who accepted OECD ideas mattered. In Denmark, the system of labour market policy
making rested upon a convention of consensus-building negotiations that included the
social partners. The entry of new ideas had not changed this structure, and any new idea
that could not find broad support among these “veto players” would ultimately have little
impact. The commitment of labour unions and Social Democrats to maintaining a high
standard of living for the unemployed ruled out proposals that severely cut benefits for
the unemployed. In Canada, the recommendation to end the regional variation of
unemployment benefit eligibility and duration met powerful resistance. In this case, past
policies had created constituencies of supporters whose regional concentration aligned
with political boundaries, thus giving a strong political voice to these supporters.
Members of Parliament, even within the governing Liberal Party, who represented
regions that would have been disproportionately affected by the reforms, formed a strong
opposition.

Yet, while structures of power and accountability, and past policies were
important in mediating impact, it is not the case that one could have foreshadowed the
influence of OECD ideas based only on information about each countries’ social and
labour market program structure or degree of labour market coordination. Although,
Sweden and Denmark had many similar welfare state institutions and similarly high
levels of labour market coordination, their use of OECD ideas and the outcomes of policy
reform were very different. Further, Canada and Denmark had equal degrees of follow-
through on OECD recommendations despite very different social and labour market
programs and structures of power and accountability.

However, the cases do shed some light on the scope for policy change that is
possible from any one set of ideas. Comparing the initial state of labour market policy in
the three cases with the model espoused by the OECD, one could concede that Denmark
and Sweden had a larger “distance” to go to be consistent with the Jobs Study, despite
what the OECD concluded about the “coverage” of its recommendations being roughly
equal for these countries. One might have anticipated that this distance was too great for
OECD ideas to have had much impact on policy. Yet, while the case of Sweden does
demonstrate how deeply embedded ideas can provide resistance to policy change, the
case of Denmark has shown that ideational distance need not be a limiting factor on the influence of ideas. In fact, the potential for learning and significant policy change may be even greater. In Canada where many actors were already on board with the OECD’s overall approach, policy learning was less significant in shaping reforms.

Finally, the cases have also shown that while the existing distribution of power and accountability does matter, there is an important caveat. In times of uncertainty, when old ideas have eroded and new ideas have been accepted - particularly when they are broadly accepted - a concomitant shift in authority and power can occur as well. The impact of ideas is not always subject to the constraints of some “given” power structure. By altering the way individuals perceive the world, ideas can also alter notions of authority and relative power as well. For example, the power of the Danish Ministry of Finance relative to other ministries in government shifted as “structural policy” became more important and as unemployment became defined as a problem of “structural unemployment.” Finance changed from a relatively small and peripheral player in the labour market policy process to a “super-ministry.” In Canada, as in Denmark, the Ministry of Finance came to dominate the policy-making process, as the deficit-cutting agenda became top priority.

In summary, ideas can and do have an impact on policy making. The acceptance of new ideas changes the way individuals understand the world around them and understand their own interests. When these things change, new political dynamics can emerge. Cooperation among key policy agents became possible in Denmark, for example. As well, power dynamics among key players can change as new ideas alter who is viewed as an authority or best positioned to take the lead in a policy area. However, the impact of
accepted ideas is also severely constrained by pre-existing structures of power and political conventions, while privileging the beliefs of some actors over others. The presence of new ideas, therefore, can have an impact on policy making, even though the final shape of policy may look very different from the policy ideas that affected its development.

8.3 Conclusion

The three case studies of this thesis have provided enough variation for an interesting exploration into the dynamics of the transfer, acceptance and impact of ideas. The cases have shown that policy transfer was driven either by a process of policy learning or by actors or groups of actors who believed that reference to OECD ideas could be instrumental in political debate, with different conditions facilitating the two processes. Conditions within both the broad and immediate environments played a role, but generally speaking, these conditions were not rooted in the inherent organization of the state or society, but were largely particular to the contemporary period. Also, the agents most heavily involved in carrying ideas were those who shared a similar neo-liberal economic perspective on labour market policy. The acceptance of ideas was largely a two-pronged process in which old ideas became discredited, and new ideas proved their worth. Finally, though the ultimate shape of policy looked very different from the policy ideas that influenced their development – ideas can and did have an impact on policy making. That impact was most directly on shaping the beliefs and interests of actors. But in turn, this made new forms of political behaviour possible and altered power dynamics, thereby sometimes leading to new forms of policy.
Chapter 9

CONCLUSION

In this final chapter, the findings of this thesis will be considered for their contribution to the literature on ideas. Though the number of studies on ideas in political science has grown in recent decades, this area of research is still in its early stages, with much theoretical and empirical work needed to be done. This thesis cannot claim to resolve current debates but the findings add weight to some arguments, extend our understanding of previous findings, and highlight issues that deserve more attention. The limits of this study and areas for future research will also be discussed.

9.1 Contribution to the Literature

There are a number of existing debates within the ideational literature to which this thesis contributes including those about the relationship between ideas and actors’ interests; how conditions of uncertainty give rise to the influence of ideas; the need for ideas to “fit” with the environment into which they enter; and the nature of the impact that ideas have on political life. The thesis also extends into newer territories of debate, such as the role of ideas in shifting the locus of authority, the relationship between ideas and actors’ identities, and the highly mediated way in which ideas have an impact on policy.
9.1.1 Ideas and Actors’ Interests and Identities

Because ideas are carried and communicated by actors, we need to understand the relationship between actors and ideas. As mentioned in chapter 2, some scholars argue that particular types of individuals or groups are likely to play a significant role in the spread and acceptance of ideas including academics and intellectuals (Campbell 2002), epistemic communities (Haas 1992), and strong charismatic leaders (Berman 1998, Sikkink 1991). They argue that these agents play this role because of their perceived authority or their ability to persuade others to listen. Yet, such conclusions fail to explain why these agents advocate for idea x and not y, though such an explanation would be necessary for fully understanding the role ideas play in shaping policy outcomes. Nor do these findings probe the possibility that actors may owe at least part of their position of authority to the attractiveness of the ideas they espouse.

This thesis suggests that the ideas agents accept are not randomly or coincidentally determined. Rather, agents embrace ideas that fit with existing beliefs and assumptions. In the three case studies, civil servants in ministries of finance, employer associations and some academics, played a key role in the transfer of ideas. Other actors, with similar opportunities to engage with the OECD, such as civil servants in labour ministries or labour unions, did not transmit the ideas to the same extent. A key difference between these two groups of agents was their predisposition to the OECD and its ideas. “Predisposition” refers to the values, assumptions and other beliefs that these actors brought to bear when judging OECD ideas. Those actors with an economic perspective similar to the OECD’s, that is a neo-classical, market-oriented economic perspective, were more likely to transfer and accept OECD ideas. This is not to say that OECD ideas
necessarily fit with actors' interests. In fact, in the Danish case, the acceptance of new ideas led to a change in the interests of the Social Democratic Party. In accepting the idea of structural unemployment, they changed from a party steadfastly defending generous benefits and opportunities for training for the unemployed, to one that implemented significant reforms which gradually, but significantly, lowered the duration of unemployment benefits. Rather, it is to say that even when actors are unsure of their interests or how to interpret the world around them, some deeply held values and beliefs still exist, and these beliefs orient actors towards particular types of knowledge or sources of ideas.

This finding that predispositions matter has not been sufficiently explored in the ideational literature. The literature on the importance of pre-existing beliefs and values reviewed in chapter two (e.g., Checkel 2001; Weiss et al 1980a) has not been well integrated into the ideational literature. Instead, ideational scholars, such as Martin Marcussen, have tended to characterize the periods proceeding times of uncertainty or policy failure as “ideational vacuums,” not recognizing the importance of the beliefs that continue to influence policy and ideational acceptance even when some policy ideas have become discredited (2000, 23). Other authors, most notably Peter Hall, recognize that when judging new ideas, actors will refer to “an existing stock of knowledge that is generally conditioned by prior historical experience” (Hall 1989, 370). Hall refers to this existing stock as the “political discourse” of a nation which includes “shared conceptions about the nature of society and the economy, various ideals about the appropriate role of government, a number of common political ideals, and collective memories of past policy experiences” (383). Though the findings are consistent with Hall’s conclusions, his focus on the “shared” national discourse misses the way in which individuals or groups within
society bring different sets of beliefs and assumptions to bear on ideas. Hall’s description casts the process of judging new ideas as a collective endeavor. But as we have seen, not all agents transfer and accept ideas to the same extent, and predispositions play a role in determining this.

A part of the set of beliefs that one brings to bear when judging new ideas is beliefs about one’s identity or group identity. The Swedish case has highlighted how policy ideas are significantly resistant to change if they are related to the identity of a group of actors. There has been relatively little discussion in the ideas literature about the role of agents’ identities, perhaps because of the greater focus on the relationship between ideas and interests. One exception is the research of Sheri Berman who found in her study of German and Swedish Social Democratic parties that, “[s]ince the appeal of [these] parties was directly tied up with the ideas they claimed adherence to, it would prove particularly problematic for them to abandon or contradict aspects of their beliefs once they were set in place” (2001, 28). That both Berman’s study and this thesis found similar phenomena among Social Democratic parties may not be a coincidence. Social Democratic parties, are “explicitly ideological” and “present themselves as the carriers and representatives of an intellectual and moral tradition…” (Berman 2001, 28). Thus, the case of Danish Social Democrats, who implemented a new model of labour market policy, is all the more remarkable, though, as discussed in chapter 8, the link between the welfare state and the identity of the Social Democrats was never as strong in Denmark as it was in Sweden.

Overall, the relationship between ideas and identities is an important area of research that deserves more attention. Identities, by definition, tend not to be ephemeral, and this durability seems to be passed on to the ideas that become associated with them.
While this is significant for understanding policy continuity, it does raise questions about how ideas and identities become linked initially and how they evolve over time.

### 9.1.2 Uncertainty

A main discussion in the ideational literature is the role of uncertainty in opening a window of opportunity for new ideas to influence political life. Though most scholars argue that uncertainty is a necessary condition for ideas to have influence, others have rightly raised concerns about such an assumption.

As discussed in chapter 2, Gofas and Hay (2008) have questioned the periodic nature that many scholars ascribe to the condition of uncertainty, arguing that uncertainty is a constant condition, and questioning why we do not see ideas mattering all the time? They also argue for a theory specifying the conditions under which uncertainty arises and is resolved.

While this thesis does not address all of these concerns, it does provide a better sense of the nature of uncertainty. Uncertainty may indeed be a constant feature in our lives, but it is not always of the same degree or type. Mark Blyth has distinguished between “uncertainty as complexity” and “Knightian uncertainty” (2002, 30-34). The former results when actors are sure of their interests but unsure of how to realize them because of the complexities of the environment, informational asymmetries and computational limits. Under Knightian uncertainty, one’s interests are unclear and the very nature of the problem at hand is undiagnosed, leaving actors to grasp for new ideas. Blyth’s two types of uncertainty resonate with the differing experiences of uncertainty in the case studies. In Denmark, many actors were not only at a loss with how to tackle
unemployment, but how to understand the problem. Anomalies arose which current ideas could not explain. Old ideas no longer acted as a guide. There was a sense that current policies were failing. In the Swedish and Canadian cases, the uncertainty of high unemployment did not result in Knightian uncertainty for most actors, and thus much less searching for new policy ideas occurred.

In reply to Gofas and Hay’s concern about the temporal unevenness of ideational influence, this thesis has shown that the influence of ideas is pervasive. Though scholars have tended to focus on incoming or “new” ideas and how they help bring about policy change, the truth is that ideas are always present and that the ideas actors hold (their predisposition, their shared values, their group identities, etc.) can help explain policy continuity as well as change.

9.1.3 Ideational Impact

This thesis concurs with those who have argued that new ideas can help lead to fundamental policy change (e.g., Blyth 2001). New ideas challenge existing policy arrangements. They can define or redefine the causes of perceived social and economic problems and provide solutions to those problems. Even when ideas do not act as precise “blue prints” for action, they can catalyze and shape the reform process because of the diagnosis they provide, as seen in the Danish case which underwent a policy paradigm shift.

This thesis also supports the finding common in ideational research that one of the ways ideas shape the policy process is by facilitating collective action. As Sikkink (1991), Goldstein (1993) and Blyth (2001) have shown, by reframing unsettled policy issues,
redefining actors’ interests, or providing common goals, ideas can function as “focal points” or “glue” and thus alleviate problems of collective action. This, again, is what was observed in the Danish case study, where the acceptance of new ideas ended political stalemate and brought together the social partners into negotiations that lead to new and significant policy changes supported by both socialist and non-socialist parties.

9.1.3.1 Locus of Authority

The policy process is a combination of “puzzling” over new ideas, as well as “powering,” to use the vernacular of Hugh Heclo (1977). This means that the power of ideas in shaping policy is in part dependent on the power or influence of the actors that hold them. Who interprets matters, as some scholars have argued (e.g., Sikkink). This thesis shows that such dynamics should not be overlooked. The norm of consensus politics and the convention of including the social partners in the process of labour market reform, meant that, in Denmark, the ideas of the social partners were of particular importance for the shape of policy. In Canada, the power of regional interests (in this case, Quebec and Atlantic Canada) helps to explain a number of labour market policy changes of the mid-1990s such as the devolution of active measures and change to unemployment insurance rules.

Which actors matter is in part determined by historical and institutional factors. However, a key contribution of this thesis is to highlight how ideas can alter the locus of authority. Surprisingly little has been written about this. One exception is the work of Peter Hall (1993). Hall argues that the movement from one policy paradigm to another is likely to involve “policy failures that precipitate a shift in the locus of authority over
policy and initiate a wider contest between competing paradigms” (1993, 280). When “the supporters of a new paradigm secure positions of authority over policymaking” the shift to a new paradigm will have occurred (281). In Hall’s argument, however, it remains unclear what determines to whom authority shifts. This thesis, on the other hand, suggests that the shift in the locus of authority is related to the ideas that actors hold. The shift does not precede the introduction of new ideas but comes along with their acceptance. In the Danish case study, as the notion of structural unemployment became accepted by those in the Ministry of Finance, the governing political parties, and eventually all of Parliament, authority for labour market policy, which had traditionally been placed in the social partners and the Labour Ministry, was gradually shared with the Ministry of Finance. This is evident in the way the Ministry of Finance began to undertake a greater share of labour market policy analysis, as well as in its key role in the commission on labour market policy that laid the groundwork of the Danish flexicurity model.

This finding suggests that the power of a set of ideas is not always determined by the power structure that preceded their introduction. This is a significant finding particularly given that actors’ predispositions may steer them towards accepting ideas largely in line with their current thinking. If power and authority were unaffected by new ideas, the chance for significant policy change would indeed be very small.

9.1.4 The OECD

In addition to its contributions to the ideational literature, this thesis also helps extend our understanding of the Organization for Economic Cooperation and Development. Until about a decade ago, little research had been done on the OECD (for
an exception see Aubrey 1967; Wolfe 1993). Now, political scientists and particularly scholars of public policy are showing more interest in the OECD (see Armingeon and Beyeler 2004; Casey, 2004; Dostal 2004; Henry 2001; Jacobsson 2003; Lodge 2005; Mahon 2006; Mahon and McBride 2009; Marcussen 2002; Martens et al 2007; Webb 2004). Many of these recent studies explore the nature of the OECD’s ideas, its internal workings and theorize about its role, but few studies actually track a set of OECD ideas to examine their influence on policy domestically. This thesis is relatively unique in this regard, and should, therefore, be of interest to this growing group of scholars.

This thesis illuminates the mechanisms and conditions that facilitated the transfer and acceptance of OECD ideas. Despite what has been written about the importance of “peer review” in influencing policy-makers through indirect coercion, the findings suggest that significant change in the thinking of policy actors is more likely in the absence of peer pressure. In contexts structured simply around the free exchange of ideas, social learning is more likely to occur. In practice, this means forums like the WP1 are just as important for the absorption of ideas, if not more important, than the EDRC, where formal peer review takes place.

A further intriguing finding of this thesis concerns “ideational distance.” One might have expected that the OECD model of labour market policy was simply too different from the models already in place in Denmark and Sweden to have much impact. Though the case of Sweden does demonstrate how deeply embedded ideas can provide resistance to policy change, the Danish case shows that ideational distance need not be a limiting factor. When compared with Canada, the Danish case also suggests that the scope for dramatic policy change is greatest precisely where the ideational distance is widest.
Beside being of relevance for scholars studying the OECD, these findings should also beckon researchers of public policy to seriously consider the role that the OECD and other international or transnational forums can play in the public policy process. Though the thesis employed very specific case studies, there is no obvious reason why the processes and impacts of the OECD, observed in the three case studies, could not also be occurring in other countries (even countries outside the OECD) and in other policy domains where the OECD is active. Other international forums, with conditions and activities similar to the OECD’s (such as the European Union) may be influencing policy in similar ways. These possibilities are all worth exploring and this thesis provides an illustration of how to go about such research.

**9.1.5 Process Tracing**

This thesis has shown process tracing to be a worthwhile method for studying ideas. With this method it was possible to get at the fine distinctions that were needed for understanding transfer, acceptance and impact, observing the modes of learning and legitimizing, identifying the many conditions that conditioned and limited the impact of ideas, and reconstructing important details such as changes in actors’ beliefs and motivations. Though a time-consuming process, process tracing allows researchers to disentangle the multiple factors impacting the policy process to fully understand the role of ideas, even when policy reforms do not resemble the ideas on which they are based.

Finally, given that ideational research is still in a relatively early stage, it is also a worthwhile method for seeking out new variables and new research questions, as well as
deeper our understanding of the actors, conditions and processes already identified as significant.

9.2 Limits of the Thesis and Areas for Further Research

This thesis set out to study the role of ideas in the policy process by examining the influence of one set of ideas, namely the Jobs Study. It was designed to explore policy change related to the presence of new ideas, and thus it focused on the processes of ideational transfer, acceptance and impact. As we have seen, however, other ideas – accepted ideas – already present in the domestic arena play an important role in the policy process. As part of an actor’s system of beliefs, ideas aid agents in judging new ideas, get tied up in their identities or, as other scholars have noted, become embedded in institutions. While some of these roles have been highlighted in the thesis, they were not intended to be the main focus of research. Yet, if we wish to understand fully the influence of ideas, we need to know more about all the roles ideas play in the policy process.

This would entail understanding much more about how ideas contribute to both policy change and continuity. In order to fully reconcile these two roles, however, we need a theory that helps explain how “old” ideas lose acceptance and “new” ideas gain it. We need a theory of uncertainty. In order to do this, we need to know not only how changes in the material world strain the credibility of the beliefs that agents hold. We also need to know more about the forces that act to keep our beliefs stable over long periods of time. In other words, since it is experienced uncertainty we are seeking to understand, scholars cannot look to objective changes in the environment to provide a full
explanation, rather they need to understand how actors’ beliefs provide certainty in the first place, and how this certainty can be disrupted. We need to look beyond the transfer, acceptance and impact of ideas, and examine how ideas become embedded in organizations, patterns of discourse and collective identities and how such beliefs are maintained.

To this end, researchers could further investigate how the multiple ideas within our belief systems reinforce one another and what implications these linkages have for how and when our beliefs become abandoned. Peter Hall’s notion of the policy “paradigm,” which considers how policy ideas relate to one another, lays some groundwork in this area. In Hall’s framework, the components of a policy paradigm – policy settings, instruments and goals – are nested, such that policy settings can change without requiring a change to instruments or goals, but a change to policy instruments necessarily changes policy settings, and a change in policy goals requires a change in both instruments and settings. Hall’s work reminds us that our ideas about the world are often organized into frameworks or schemas. Ideas build upon other ideas, and some, like Hall’s policy goals, are linchpins that, when removed from the framework (i.e., discredited) have an effect on the strength of our other beliefs. Researchers would do well to investigate these ideational linkages, explore how some ideas become tightly linked, other ideas exist in more fluid relationships, and even contradictory ideas can co-exist together (see Robert H. Cox 2004 for a good start on this research agenda). For example, one could investigate how the ideas of the Swedish Model of labour market policy have evolved over time, even as actual policies have changed.

In this same vein more work is needed to draw out the implications of the finding that individual predispositions condition the acceptance of new ideas. What does this
finding mean for the pace of change spurred on by new ideas? How and when do predispositions change? Similarly, more work is needed to fully appreciate the role of identities in conditioning the acceptance of ideas and maintaining our beliefs.

As discussed in chapter 2, there are at least two streams of research on the periphery of the ideas literature (though substantial fields of research in their own right) that examine in some detail how actors judge and accept new ideas. One is a body of literature on the utilization of policy analysis and other forms of social research, such as program evaluations, by policy-makers (see for example Weiss 1989a,b; Henry and Mark, 2003). The findings in this research lend support to the idea that agents’ pre-dispositions matter by showing how actors (typically bureaucrats are studied) not only judge research and policy analysis on the basis of its perceived quality (i.e., technical quality, objectivity and cogency) but also on the basis of how well it conforms to their personal expectations including prior knowledge, values and beliefs (Weiss et al, 1980a). This research offers interesting insights at the level of analysis of individual actors. The challenge, therefore, is to integrate these findings into a full account of the policy and political process (for an attempt at this see Sabatier and Jenkins-Smith 1993). The second stream of research that deserves better integration into the ideas literature is the work of social constructivists within the field of International Relations who examine processes of persuasion and social learning. These scholars consider whether such factors as shared professional backgrounds or the absence of inconsistent, ingrained beliefs play a key role in processes of social learning (see Checkel 1999b, 550). Social constructivists have also given significant attention to the role of identity. Though these IR scholars have been concerned primarily with the international or regional dimension of policy making (e.g., how
European integration is affecting actors’ identities and loyalties), their work has significant potential value for researchers of the domestic policy process.

9.3 Conclusion

The purpose of this dissertation has been to improve our understanding of the role and influence of ideas in domestic policy making, particularly ideas espoused by an international organization. The research has been structured by two main questions: i) to what extent can the nature of policy reforms be explained by the influence of a particular set of ideas, ii) and under what conditions and through what processes do ideas exert influence on policy making?

In only one of the three cases did OECD ideas exert a notable effect on the content of policy. In the Danish case study, ideas are necessary for explaining the nature of reform. By diagnosing the problem of unemployment, they helped to shape the broad directions for policy. Not including the role of ideas would leave too much unexplained. On the other hand, an explanation relying solely on the impact of OECD ideas is insufficient; the specific content of policy is largely explained by pre-existing beliefs and interests brought to domestic negotiations by actors with significant influence in the domain of labour market policy, such as the social partners. However, shaping the content of policy is not the only influence that ideas have. Ideas have a significant role to play in shaping the policy process. Ideas facilitate collective action by providing common beliefs on which actors can cooperate and negotiate. Ideas also shape who becomes a key player in the policy process, as agents can gain influence by virtue of the ideas they hold. As well, ideas can also be used to legitimize policy reforms that agents already know they
wish to take. It is primarily through the mode of policy learning that ideas become accepted and therefore have their effect. Coercion through peer pressure appears to be less successful in altering the beliefs of actors.

There are, however, significant limits to the influence any one set of ideas can have on policy. This is largely because the influence of ideas is contingent on so many other factors. Existing beliefs and values affect how actors judge and interpret new ideas, which has the effect of limiting the number and types of actors who will likely accept any one set of new ideas. Acceptance is also contingent on an environment of significant uncertainty in which previously held beliefs no longer function as guides for action. Existing power structures privilege particular agents and thus privilege their beliefs and interests, which may or may not be informed by the new set of ideas. As actors exert power (i.e., negotiate or debate) over the shape of policy, the influence of accepted ideas is further contingent on the degree to which they can be reconciled with others’ values and beliefs.

Much of the interest in ideational variables has been driven by a desire to understand change, including where and how new policies and new institutions arise. This thesis makes a contribution to that research agenda. However, it also draws attention to the contribution that ideas make to policy continuity or path dependency, a role that has received little attention in the ideational literature. To the degree that policy change can be explained not only by the power of new ideas, but also the failure of pre-existing ideas to exert a stabilizing influence, a research agenda moving forward should be to better understand all the roles ideas play in shaping the policy process.
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Appendix A

INTERVIEWS

Interview 1, senior official, Economics Department of the OECD. 2005. Interview by author, 28 September, Paris, France.

Interview 2, senior officials, Economics Department of the OECD. 2005. Interview by author, 27 September, Paris, France.


Interview 5, former senior official, OECD. 2006. Telephone interview by author, 8 March, Kingston, Canada.

Interview 6, staff, Business and Industry Advisory Committee to the OECD. 2005. Interview by author, 26 September, Paris, France.

Interview 7, member of the Canadian delegation to the OECD. 2005. Interview by author, 21 September, Paris, France.

Interview 8, member of the Canadian delegation to the OECD and former senior civil servant in the Government of Canada, Privy Council Office. 2005. Interview by author, 21 September, Paris, France.

Interview 9, member of the Canadian delegation to the OECD. 2005. Interview by author, 21 September, Paris, France.

Interview 10, former member of the Canadian delegation to the OECD. 2006. Telephone interview by author, 29 May, Kingston, Canada.

Interview 11, civil servant, Government of Canada and former delegate to the OECD. 2006. Telephone interview by author, 26 May, Kingston, Canada.

Interview 12, civil servant, Human Resources Development Canada, Government of Canada. 2007. Interview by author, 2 May, Ottawa, Canada.

Interview 13, civil servant, Department of Human Resources Development Canada. 2006. Telephone interview by author, 17 May, Kingston, Canada.

Interview 14, former senior civil servant, Department of Human Resources Development Canada. 2005. Interview by author, 15 August, Ottawa, Canada.
Interview 15, former senior civil servant, Department of Human Resources Development Canada. 2006. Interview by author, 8 January, Victoria, B.C..


Interview 17, former senior civil servant, Department of Finance, Government of Canada. 2007. Telephone interview by author, 23 April, Kingston, Canada.

Interview 18, former senior civil servant, Department of Finance, Government of Canada. 2007. Interview by author, 2 May, Ottawa, Canada.

Interview 19, senior civil servant in the Ministry of Finance, Government of Denmark. 2005. Interview by author, 7 December, Copenhagen, Denmark.


Interview 21, former senior civil servant, Ministry of Finance, Government of Denmark. 2005. Interview by author, 8 December, Copenhagen, Denmark.


Interview 23, senior official, Danish Economic Council (Det Økonomiske Råds, DØR). 2005. Interview by author, 1 December, Copenhagen, Denmark.


Interview 26, staff, Confederation of Danish Employers (Dansk Arbejdsgiverforening DA). 2005. Interview by author, 9 December, Copenhagen, Denmark.

Interview 27, Professor of economics in Denmark. 2006. Telephone interview by author, 5 October, Kingston, Canada.


Interview 37, senior staff member, Confederation of Swedish Enterprise (Svenskt Näringsliv). 2005. Interview by author, 27 October, Stockholm, Sweden.


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Interview 42, senior official, Economics Department of the OECD. 2005. Telephone interview by author, 8 November, Copenhagen, Denmark.

Interview 43, senior advisor, Trade Union Advisory Committee to the OECD. 2005. Interview by author, 27 September, Paris, France.

Interview 44, former member of the Canadian delegation to the OECD. 2005. Interview by author, 10 August, Kingston, Canada.


Interview 46, member of the Canadian delegation to the OECD. 2005. Interview by author, 21 September, Paris, France.

Interview 47, former member of the Danish delegation to the OECD. 2005. Interview by author, 6 December, Copenhagen, Denmark.

Interview 48, former senior civil servant, Ministry of Finance, Government of Canada. 2007. Interview by author, 3 July, Ottawa, Canada.

Interview 49, former member of the Canadian delegation to the OECD. 2007. Telephone interview by author, 14 June, Kingston, Canada.

Interview 50, member of the Danish delegation to the OECD. 2005. Interview by author, 26 September, Paris, France.

Interview 51, researcher, The Danish National Centre for Social Research. 2005. Interview by author, 1 December, Copenhagen, Denmark.
Appendix B

DOCUMENTS OF THE OECD JOBS STUDY


Occasional Papers
