POLICY LEARNING IN EUROPEAN WELFARE STATES

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Introduction

For various reasons – post-industrial and unstable labour markets; changing and unstable family patterns; ageing; lower productivity growth, globalisation - European welfare states and labour markets are in need of reform (Aloskoufos et al. 1995; Bertola et al. 2001; Esping-Anderen et al., 2002; Pearson 2001; Schwartz 2001; Taylor-Gooby 2001). We agree with Freeman (1995: 17) that reform of advanced welfare states is problematic because 'changes in one aspect of a highly interactive system alter the efficiency of other parts' (Freeman 1995: 17). Rather than 'long-jump adaptation', which are 'impossible to bring about except in a politician's promises' (idem, p. 20), reform involves intelligent sequencing of measures in different policy fields and trade-offs between different interests (Bonoli and Palier 2000; Hemerijck and Schludi 2000; Natali and Rhodes 2003)

Modern scholarship has highlighted the difficulty of major welfare retrenchment and labour market reform (Calmfors and Skedinger 1998; Pierson 1994; 1996). Rational choice theorists have argued that mature welfare states are replete with veto-players who, given their interests and those of their clientele, 'ought' to resist change and are increasingly in a position to do so (Olsen 1982; Tsebelis 1995). Authors working in the institutionalist tradition have stressed the importance of path-dependency and policy inertia, showing that policy choices made in the past become difficult to reverse, even in the face of serious external pressures. Despite the ‘irresistible forces’ urging reform, post-industrial welfare states have become ‘unmovable objects’ (Pearson 1998).

We disagree. Reforms are difficult to achieve, politically risky and easily derailed, yet they happen. Boeri (2001) counted nearly 200 reforms in unemployment insurance, employment protection and pensions in Western Europe between 1985 and 1995. The majority of these reforms decreased the level of generosity and protection by a small amount. Many of these reforms were unpopular; some occurred with the consent of opposition parties and trade unions. Our puzzle is this: major welfare reforms are supposed to be unpopular, extremely difficult, if not impossible. Yet, they happen – how come?

Taking inspiration from the social learning approach, as advocated by Heclo (1974) and Hall (1993), we propose that studying the change process within actors or networks of actors is a way forward. If we wish to understand the obstacles, opportunities and dynamics of reform, we must open the ‘black box’ of the cognitive and normative orientations of policy actors. We agree with Scharpf who, referring to studies of negotiation behaviour and evolutionary game theory (e.g., Selten 1991; Thompson 1992) argues: ‘In highly conflictual negotiation situations the discovery of previously unknown ‘win-win’ solutions may make all the difference between a policy impasse and effective action. Hence learning processes must necessarily have an important place in our conceptualisation of actor perceptions’ (Scharpf 1997: 63).

Much of the literature on welfare state reform not only has a determinist bias; it also shows profound scepticism towards the prospects for mutual learning and policy transfer across different welfare regimes. This scepticism particularly abounds in neo-institutionalist approaches, emphasizing the radical diversity of national contexts and historical trajectories. With the growing role of international organization and regional (European) integration, we must overcome ‘methodological nationalism’ and combine comparative analysis of domestic policies and the study of international (European) social policy and its effects in national politics (and vice versa) (see also Ebbinghaus 1998). The current reform agenda in advanced welfare states in Europe reveals the increased importance of the European Union in areas like competition and trade policy, monetary and wage policy, pension and labour market reform, equal opportunity, education, immigration and social inclusion. The study of welfare reform in Europe today calls for a combination of the study of policy learning or domestic lesson drawing and mimicking or learning from and with others.

The outline of the paper is as follows. Firstly, we try to construct an analytical framework to guide thinking about policy learning in welfare states. Our starting point in §1 is the literature on organizational behaviour and decision theory (Cohen and Sproull 1996; Cyert and March 1963; Dierkes et al. 2001; Hedberg 1981; March 1999; Simon 1955). This literature emphasizes crises and failures as important triggering devices for search and deliberate change; the attractions of promising alternatives; the uncertainty under which policy-makers act; and the trial-and-error character of choice. This emphasis is also found in the literature on policy learning, for instance in Hall (1993) who argues that policy learning is mostly driven by performance failures, which become opportunities for innovators and new coalitions to push their ideas. In §2 we discuss the learning approach in relation to the special conditions of politics and political institutions.

Secondly, we apply our learning framework to a number of European cases. To do so, we make a distinction, in §3, between two main perspectives on policy learning: social learning, based on sharing experience and gaining knowledge among domestic actors, and mimicking or 'lesson drawing' based on the observation and presentation of the experience of others. In §4 we apply this to actual reform processes, discussing the national Social Pacts of recent times as examples of social learning; in §5 we compare the European Employment Strategy and the OECD Jobs Strategy as two different approaches to mimicking. In §6 we consider the possibilities of learning ahead of failure, using pension reform as our empirical example. In §7 we draw some conclusions concerning the merits and difficulties of the learning approach in studying welfare and labour market reform.

1. The logic of policy learning

1.1 Introduction: learning conceptualised

Learning, in psychology, is defined as the revision of cognitions and beliefs as a result of the transformation or recoding of information based on the observation and interpretation of experience (Anderson 1995; Bower 1975). Huber (1991) proposes that 'an organization learns if, through procession of information, the range of its potential behaviour is changed'. Similarly, Olson and Peters (1996: 4) emphasize 'the ability to detect and correct errors, and thereby to improve the functioning of systems'. In these and other definitions, based on the psychological and organizational learning literature, the emphasis is on the widening of repertoire of potential behaviour, not on actual behaviour. This distinction between ideas and policies is also present in Heclo (1974: 306), who defines 'policy oriented learning' as 'relatively enduring changes in thought or behavioural intention that result from experience and/or new information concerned with the attainment or revision of policy objectives'. Hall (1993: 278) broadens 'intention' to 'attempt' in his definition of policy learning as 'a deliberate attempt to adjust the goals of techniques of policy in the light of the consequences of past policy and new information. Learning is indicated when policy change is the result of such a process'.

We define learning operationally as a change of ideas or beliefs (cognitive and/or normative orientations), skills or competences as a result of the observation and interpretation of experience. Such ideational changes should be 'relatively enduring' (Heclo 1974: 306) in order to count as instances of learning (Anderson 1995: 4). This can be used as a methodological criterion (Levy 1994: 302).

In order to explore the empirical relationship between learning and reform, it is necessary to analytically distinguish between them. To state the obvious:

learning that is not the same as learning how (Breslauer 1991: 825). Welfare reform includes a system-wide search process for a new, economically viable, politically feasible, and socially acceptable social and economic policy repertoire. We may take the occurrence of reforms as indicator that learning may have happened, although this needs independent verification. Policy change can also be imposed from without or result from political turnover or from random events. The opposite case – no reform, but learning nevertheless – is more difficult to trace. There is no assumption, however, that learning improves performance. Learners may even decide against reform because of what they have learnt (Friedlander 1983) and policy makers who 'learn lessons' may be replaced before they can apply them and they may lack the will or the power of implementation.

1.2 Single and double loop learning

Ordinarily, learning is 'simple' (Deutsch 1963: 92), merely consisting of an improvement of routines or instruments to obtain fixed goals. Argyris and Schön (1978) call such learning, taking place in the context of existing assumptions and unchanged mental structures, 'single loop' learning: it is more of the same, with fewer errors or mismatches, as in the 'learning curves' in manufacturing, based on increased experience or improved skills (Argote and Epple 1990). Simple learning, however, carries the risk of overspecialisation, competency traps, 'lock-ins', path dependency and adaptation at the cost of adaptability (Levitt and March

1988). By contrast, ‘complex’ (Deutsch 1993) or ‘double-loop’ (Argyris and Schön 1978) learning involves the questioning of existing goals, causal maps or theories of action and attempts to reframe the situation through a change of the underlying values, principles and technologies of current theories of action. Examples of such higher-order learning are rare in the organizational literature (Argyris 1992; Cohen and Sproull 1996; Dierkes et al. 2001). Since it involves unlearning or ‘tearing down obsolete mental maps and starting anew’ (Hedberg 1981: 18) it is painful and difficult.

1.3 Learning under conditions of bounded rationality

Learning theories, by placing constraints on the informational capacities and motivations of actors, belong to the class of theories of bounded rationality (Simon 1996). They supplement, and contrast with, rational decision theory (March and Olsen 1975). In that theory, it is assumed that actors maximise expected utility through a decision process in which future consequences of present alternative course of action, with their subjective or objective probabilities, are known and evaluated. Empirical and experimental research has shown the weaknesses of this decision theory (e.g. Simon 1955; Tversky and Kahneman 1974). Learning theories, by contrast, offer an alternative because they theorize explicitly that choice behaviour is driven by routines that have developed on the basis of selection and adaptation rather than rational calculation. Under conditions of ‘bounded rationality’, choice follows a process of trial-and-error, in which only the most pressing problems are diagnosed and alternatives are debated and adopted until finding a 'satisfying' solution (Simon 1945). Another prediction of choice theory, based on learning, is that search processes for new solutions take place incrementally and in the vicinity of existing solutions (Lindblom 1965), and only when 'problem-signals' are really loud (Cyert and March 1963).

Like all evolutionary models, learning models are backward looking. Decision makers may 'draw lessons' from past policy experience and look back to search for effective future solutions. In the process, they may shift preferences and orientations, recognising on the basis what they now know, that what they believed to be rational choice in the past was in fact erroneous. This contrasts with the rational choice approach, in which expectations and calculations about future consequences of action and future states of the world are the basis for choice among current alternatives, requiring planning, analysis, forecasting, as well as decision theory. In learning models feedback from past experience and new information, perhaps based on experiences of others, is used to choose among current alternatives; this requires experimentation, evaluation, assessment, as well as experimental design and control theory (March and Olsen 1975).

Backward looking decision-making is not immune against errors, however. Like generals who fight the last war, policy makers, basing their answers on learning from the past, may be quite unprepared for the future. At best, they may have learned to avoid the mistakes made earlier, although one cannot assume, in an evolutionary sense, that lessons learnt will not be forgotten. Especially where crises or performance failure are rare or happen far apart in time, memory may fail and programmes for dealing with such failures may have fallen in disuse. If it is true that 'organizational learning' is based on 'encoding inferences from history in routines that guide behaviour' (Levitt and March 1988: 319) and 'organizations largely remember by exercising it' (Nelson and Winter 1982: 99), than it follows that recent history is more important in guiding behaviour than past history. Organizational myopia or the tendency to overlook distant times, distant places and distant failures is a limitation of experience learning (March 1999). While it may be impossible to reasonably predict future states of the world, the past usually gives rise to multiple and contrasting interpretations. When it is not clear what happened and why it happened, learning produces ambiguous results (March and Olson 1975).

1.4 Learning from failure

Experimental research suggests that people learn more from failure than from success (Wong and Weiner 1981). Researchers of (ecological) decline stress the importance of 'unusual events' that can be interpreted as crisis (Shrivastava 1995), policy failure (Sitkin and Pablo 1992) or imminent danger (Chess et al. 1995). Psychologists and game theorists have shown that weaknesses are not analysed, unless under conditions of crisis and repeated failure (Siegenthaler 1993). Studies of organisational behaviour suggest that singe-loop learning, improving the efficacy of chosen policy instruments or routines under relatively stable conditions, may occur within established institutional orders. But it takes major external shocks to change core beliefs, decision-making routines, and existing distributions of resources and capabilities (Argyris and Schön 1978; Dierkes et al., eds. 2001; March and Olsen 1989). Crisis situations function as important catalysts for this non-routine policy learning.

Examples of failure-induced reform in European welfare states abound. According to an early assessment of the Organisation of Economic Cooperation and Development, the reorientation in economic policy during the 1980s was in most countries preceded by a performance crisis (OECD 1988). The macroeconomic shocks of the 1970s and 1980s were upsetting existing equilibriums and challenging existing economic policies and social programs more severely than politicians had been accustomed to during previous decades.

In ‘A Dutch Miracle’ Visser and Hemerijck (1997) describe how in the Netherlands, after a long period of stagnation and policy stalemate, the dramatic economic decline and soaring unemployment in the early 1980s created a sense of urgency: ‘a limit was reached and a change in policy and mentality was needed’ (Visser and Hemerijck 1997: 13). In 1986, the year in which the Irish unions prepared their first central agreement for economic recovery with a non-allied government and with employers, the Irish economy ‘was almost universally seen to have reached its nadir’ and the agreement was negotiated, as it were, ‘out of the last ditch’ (Roche, 1992: 325). Italian trade unions took a series of courageous and painful decisions in 1992 and 1993, when the country was in a deep political crisis and ‘first class’ membership in the European Union was at stake (Ferrera and Gualmini, 1999 [2003]). In a comparison of six so-called reform countries — Australia, New Zealand, the United Kingdom, Denmark, Ireland and the Netherlands— Elmeskov et al. (1998) found that reforms were typically preceded by major hikes in unemployment, government deficits, or exchange rate pressures. Reforms began ‘against a background of either full-blown crises or, at least, critical developments’ (1998: 241).

However, this did not set these countries apart, since similar crises or critical developments occurred in the countries like Belgium, Germany, France and Switzerland that did not start major policy reforms. The fuse of an economic crisis may be too short-lived to motivate the search for change and an enduring crisis may give way to resignation. The learners may ‘sit in the audience’ (March and Olsen 1975) and be unable to influence action. Not all crises, not even major ones, produce a reorientation in thinking, let alone a change in policy. Elmeskov et al. (1998) note that crises can create a ‘groundswell of support for reforms’, but that the ability to harness such support and translate it into action depends on political factors. They observe that a major change in the party make-up of the government preceded the policy reorientation in the aforementioned ‘reform countries’. Defections, challenges of the opposition, and threats of electoral losses can lead incumbent leaders or parties to change beliefs, and thus promote policy learning. This is a good reminder that not only events but also people can trigger learning. If a leadership succession or political victory of the opposition brings a different set of beliefs to the forefront, subsequent policy changes derive more from turnover than from learning, though it may be that the new leaders have learned new lessons while in opposition. This brings us to a discussion of the conditions of learning in politics, the subject of our next paragraph.

1.5 Policy learning and institutional learning

Hall (1992, 1993) has analysed the change from Keynesianism to monetarism as an example of higher-order learning. Hall's understanding of policy learning involves three key variables: the principle goals that guide policy in a particular field; the techniques of policy instruments to attain these goals; and the precise setting of these instruments. Together they define what he calls a policy paradigm. Ideas, he beliefs, critically structure policy processes. They involve not only a programmatic set of statements of cause and effect concerning policy problems, but also a theory of action, or method, for influencing these causal relationships with an eye to solving problems. When the principle policy goals and main assumptions about causes and effects are taken for granted, a policy paradigm is solidly anchored in accepted practices that link priorities, goals and instruments of policy.

Inspired by Kuhn's work on scientific revolutions, Hall distinguishes between three levels of policy learning, which he labels as first, second and third order changes. First and second order changes are likened to periods of 'normal science', when the prevailing policy paradigm explains what it purports and allows policy to run its course 'as a technical matter'. At most, policy failures motivate incremental adjustments in the tools (first order change) or in the setting of the tools (second order). These changes take place within relatively closed networks. When incremental adjustments fail to accommodate new policy pressures, the policy paradigm itself comes under fire. Third order change is characterised by a radical shift in the 'hierarchy of goals and set of instruments employed to guide policy' (Hall 1993: 284). Such a change is usually associated with an increasing frequency and intensity of anomalies within the existing policy paradigm. As a result, policy actors will become engaged in a highly politicised struggle over new priorities, goals and instruments. Since they truly deviate from earlier wisdoms and policy trajectories, and are probably accompanied with a 'shift in the locus of authority over policy', third order changes are rare events.

Since it renders an attractive framework for empirical research, we have summarised Hall's understanding of social learning at greater length. We see one limitation in his perspective, however. Hall's approach to learning is developed within a 'problem solving' perspective, but is rather silent on the 'interactive' dimension in policy-making (see Scharpf 1997 for this distinction). In modern welfare states, most policy domains and problems are shared or owned by a variety of interacting (corporate) actors, each with their own understanding of the nature of problems and desirability or feasibility of particular solutions. When incremental policy adjustments fail, there will be increasing doubts not only concerning the priorities, goals and instruments, but also about the adequacy of prevalent institutions, the involvement of non-public actors, their mutual interactions and responsibilities, et cetera. Processes of institutional change no doubt involve the state as facilitator and guarantee of the rules, but they are reflexive as well, involving learning processes within the institutions and the actors operating in them. Such institutional learning processes may have their own dynamic, to be distinguished from problem-oriented learning, but can become also subject to political dramatisation and third order change. The departure from neocorporatism in domains like wage setting in Sweden (Pontusson and Swenson 1996) and the governance of social security in the Netherlands (Visser and Hemerijck 1997) are cases in point.

2. The institutional and political context of learning

2.1 Limitations to learning in politics

Learning involves the destabilisation of existing understandings of problems, policies and conditions. In politics, learning would seem to be encouraged where public and private actors with diverse viewpoints and interests are brought together in settings that require sustained deliberation about problem-solving; the established boundaries between both policy domains and stakeholders are deliberately eroded; existing policy networks are reconfigured; decentralized experimentation is encouraged; information on innovation is precise and commonly available; and actors are encouraged to compare their results with those of the best performers in any area (Trubeck and Mosher (2003).

Politics, like most real life situations, hardly satisfies the ideal conditions of a ‘learner friendly environment’. In addition to the learning promoting mechanism listed above, such an environment would include well-defined evidential standards for determining success and failure; the possibility to conduct controlled experiments in order to eliminate alternative causal hypotheses; measurement of effects based on well-established laws; and unambiguous as well as rapid feedback regarding the correctness of predicted outcomes (Campbell 1977; Tetlock 1991). Where these conditions are absent, learning may be superstitious: there will perhaps be a compelling subjective experience of learning, but the actual connection between causes (action) and effects (outcome) is weak or absent (March and Olsen 1975; Levitt and March 1988). Such situations call for controlled experiment, but that is rarely used in politics, since it will be deemed unethical or in breach of legal (equal treatment) principles. Other common drawbacks of failure-induced learning are related to the tendency to overrate critical incidents (Tversky and Kahneman 1974) and to generalize from ‘samples of one or fewer’ (March 1999).

By its very nature, democratic politics embodies strife over ideas and best courses of action, and hence a form of learning, but criteria of success and failure are often changing and contested (Olsen and Peters 1996; March and Olsen 1995). In an instructive comparison of private and public organizational learning, LaPalombara (2001) stresses the normative dimension that pervades public sector organizations. In the public sector, ‘messiness’ abounds: purposes are multiple, accountability is dispersed and autonomy is contested. This sets limits to the feedback mechanisms of learning. In any case, the questioning and changing of ends implies tough political struggles, which makes double loop learning extra difficult. Another limiting factor is the hemming in of administrative risk-taking and creativity by strongly institutionalised procedures and hierarchical accountability structures.

Strong electoral competition and citizen participation may contribute to more transparent forms of 'learning by monitoring' in politics (Dorf and Sabel 1998), since proponents of rival policies will be self-interestedly motivated to find fault with existing policies. It is easy to list a series of obstacles to such learning, however. Problems of collective action, institutional engrenage, the absence of clear incentives for efficiency improvements, the low predictability of outcomes, and poorly developed evaluation methods tend to stand in the way of effective learning. Incumbents of office may have reasons and ways to conceal failure; rival political parties often do no more than trade competing justifications for preferred policy variations, no matter their effectiveness; and electorates tend to respond stronger to observed policy mistakes than to lost opportunities and policies that were not chosen (March and Olsen 1995). Like organisational myopia, discussed above, there is a strong case for myopia in politics. Much political learning is of a short-run character, due to, among other things, electoral and budgetary cycles. Policy-makers tend to base their experience on the interpretation of the latest crisis, from which they at best draw the lesson not to repeat the errors they manage to recall from the previous one.

2.2 Puzzling

‘Politics finds it sources not only in power but also in uncertainty – men collectively wondering what to do. Finding a feasible course of action includes, but is more than, locating which way the vectors of political pressure are pushing. Governments not only ‘power’ (…); they also puzzle’ (Heclo 1974: 305). Heclo describes puzzling as a collective and interactive process of social learning. It involves diagnosing the nature and magnitude of the problems at hand, setting priorities and identifying potentially effective solutions and feasible courses of action. This is not something politicians do alone.

In the face of ambiguity, conflict and uncertainty, political actors try to give meaning to and impose some order upon changes in their policy environments with the help of ‘policy analysis’ organizations, expert committees and ‘think tanks’. The French government has its Commissariat du Plan, the German government receives official forecasts on the economy from five competing wizards, the Netherlands has separate forecasting institutions for economic, social and cultural, and demographic affairs, and so on. The European Union habitually works with ad hoc expert committees and so-called ‘High-Level Groups’ in order to analyse particular policy problems and recommend solutions. Particularly at the national level, failures often provide strong incentives to start investigations and appoint expert committees of policy evaluation. These evaluations sometimes break new grounds for new ideas and policy reorientation. The reports of the Wagner committee in the Netherlands in the early 1980s (Visser and Hemerijck, 1997: 99-100) and the ‘Strategy for Recovery’ report of Irish National Economic and Social Council (Mjøset, 1992: 383) prepared the mindset for the radical reorientation in wage bargaining and social partnership in both countries. In view of the long gestation period of reforms, sharing trustworthy information among the different interest groups with a stake in the formation or implementation of policies is vital.

Policy diagnosis is a cumulative process of knowledge production, involving both the analysis of past experience, of why and how certain policies have failed, and the assessment of possible future developments. The reception and adoption of novel ideas into policy-making is shaped by various institutional conditions: the public status of policy analysis in political decision-making; the strength of societal and political coalitions supporting policy innovations advanced by experts; and the organisational capacities of public agencies to translate ideas into feasible policies. In order to facilitate intelligent policy learning, policy analysis needs to be valid and reliable (March and Olsen 1995). A valid account correctly captures what happened and why and how it happened. A reliable account is one that is shared among policy-makers. Unnecessary to say that there is often tension between the two, and that there is often a bias towards an emphasis on shared understanding and consensus in the face of political opposition.

Joint councils with stable membership tend to stabilise mutual expectations and foster long-term trust (Schmitter 1983). This would seem a good condition for a problem-solving approach and a modicum of altruism or other regarding views on the part of the participating organisations (Scharpf 1997; Visser 1998). Platforms like the bipartite Foundation of Labour in the Netherlands or the National Economic and Social Council in Ireland force representatives of various interest groups to ‘the joint observation of unpleasant facts’ (Streeck 1997), which is often a precondition for joint learning. Another advantage, for learning, would seem that these ‘corporatist institutions’ have a longer (organisational) memory than may be common in politics. Against this stands the accusation of conservatism and inward-looking tendencies in corporatism. How information is being fed to these councils and to policy-makers in general is also an important variable. A fragmented landscape of many competing think tanks and policy analysts is probably more open to experiment and mutual scrutiny (Campbell 1977). Brunsson (1989) plausibly argues that a variety of competing agencies providing radically different accounts may simultaneously improve analytical sophistication and open the door to an overly political use of policy advice. This brings us to our next point, about power.

2.3 Powering

Policy reform, however much dependent on the effective diagnosis of failures and ‘the play of ideas’, is ultimately ‘the contest for power’ (Heclo 1974). Powering relates to the selection of particular problems no less than to the choice of favoured solutions. Interpretations of crisis and demands for reform are constructed politically. The choice which problems to concentrate on and where to search for effective solutions reflect political as well as cognitive factors, interests as well as ideas. At both levels, policy reorientation requires political advocacy and support. In terms of Kingdon's well known 'streams model', next to unsolved problems and available solutions, opening a 'window of opportunity' requires political support' (Kingdon 1984).

Ideally, policy actors take into account the available information about social problems and opportunities for new solutions, the performance of existing programs, costs and other relevant matters. But practice is resistant (Lindblom 1968): policy makers and civil servants focus on protection of their own budgets, power and policy turf; they are preoccupied with process instead of results; they become captured by a narrow set of interests; and they fail to attend to wider considerations necessary for commensurate action within their realm of responsibility.

In their analysis of labour market reforms in OECD countries, Elmeskov et al. (1998) observe that it usually takes a long time for a radical reorientation of policies to bear fruits. Negotiating and implementing legislation, following a major policy shift, is time-consuming. Some policies may be under control of trade unions or independent agencies. Where rates of political turnover are high, political actors and policy-makers may therefore be disinclined to commence comprehensive reforms even where learning has taken place. Consequently, they will be denied the feedback from experience of the proposed policy changes and learning will tend to be shallow or ideological.

Such institutional constraints not only limit the repertoire of feasible policy options and the speed or magnitude of reform, they also shape and regulate modes of interaction and styles of policy-making (Scharpf 1997). From this perspective, one might conjecture that, by foreclosing easy ‘exit’ options, consociational democracies and negotiated economies (corporatism) encourage consensual or problem-solving styles of decision-making. Foreclosing exit pushes actors towards voice, that is, ‘into the alternative, creativity-required course of action from which they would normally recoil’ (Hirschmann 1970: 80). According to Streeck, high standards or rules of participation from which actors cannot escape are likely to provoke learning. They are especially important in situations that require innovation and inventiveness. ‘To stimulate strategic creativity beyond present interest and structures, having fewer options and less choice may be better for rational actors than having more, if foreclosed options are short-term remedies under unreformed second-order preferences’ (Streeck 1997: 204). This stands in contrast to the ad hoc bargaining style in more fragmented system of interest representation. However, the unanimity rule that dominates corporatist industrial relations systems and consociational democracies can create ‘joint decision-traps’ and ‘policy immobilism’, when no consensus can be reached over the main goals (Scharpf, 1988).

3. Two perspectives on policy learning

We distinguish between two influential perspectives in the literature of policy learning. The proponents of social learning (Bennett and Howlett 1992; Deutsch 1963; Etheredge 1981; Heclo 1974; Hall 1993; Olsen & Peters 1996; Sabatier and Jenkins-Smith 1993) argue that policy-makers 'draw lessons' from failures and apply these lessons and new knowledge when dealing with the future. The literature on policy transfers (Bala and Goyal 1998; Bikhchandani et al. 1998; Rose 1993; Sahlin-Andersson 1996; Walker 1969; 1971; Westney 1987) suggests that policy-makers examine 'best practices' and adopt successful lessons from others.

Table 1: Types of Learning in welfare and labour market reform

Social learning		Policy mimicking	
domestic inward-looking trial and error		cross-national outward-looking benchmarking	
learning alone	learning together	learning from others	learning with others
• no concertation • single goal • political power • experts / govt. +press/electorate	• concertation • multiple goals • Social Pacts • experts / govt. +policy makers +social interests	• decontextualised • single goal • one-size-fits-all • experts / govt. + press?	• contextualised • multiple goals • differentiated • experts / govt. +policy makers +social interests
(UK)	(Neth., Ireland)	(OECD Jobs Study)	(EU Empl. Strategy)

3.1 Social learning

The first type of learning is better known as social learning. Hall (1993) used this concept in his famous study of the British reorientation in economic thinking in the 1980s. Though he used the term to denote learning outside the ‘closed networks’ of policy makers, in society, as a precondition for ‘third order’ change, we use it to denote learning by all public and private actors in a single (national) social system, whether inside or outside government, including the social partners, NGOs and so on. Social learning, in our definition, is a domestic process, mostly induced by failure, based on trial and error, and both inward and backward looking.

Whether governments and policy makers learn alone or together in interaction with other societal actors and interest groups, will depend on the constitutional and institutional conditions and traditions prevailing in a given national polity or particular policy domain. How the constitution and organization of democratic polities and the interaction among various public and private actors within them stimulate or limit learning is a key question.

Different political systems can be described and analysed by the number of veto-points and veto-players capable of blocking change. A distinction can be made, for instance, between unitary and federalist polities, each having different degrees of flexibility in puzzling and powering (LaPalombara 2001). Political systems with multiple veto points, where power is fragmented, tend to be biased towards slow, incremental, disjointed and negotiated patterns of decision making, because many veto players need to be accommodated. At one end of the scale, majoritarian political systems like the British one produce single-party governments with clear mandates for adopting radical and comprehensive reforms efforts. At the other end, we find consociational democracies, like the Dutch or Belgian ones, based on proportional representation with multi-member constituencies and coalition governments (Lijphart 1968; 1984). In between we have systems characterised by strong minority governments (Scandinavia), cohabitation (France), bicameralism (Italy), and federalism (Germany) (Mayntz and Scharpf 1975; Tsebelis 1995). Majoritarian systems can produce political majorities with a clear mandate for adopting radical and comprehensive reform, while consociational and federalist systems are biased towards incremental and negotiated patterns of change (Olsen and Peters 1996; Scharpf and Schmidt 2000b).

What is gained in powering may be lost in puzzling. Because of its strong institutionalisation of government and opposition, outgoing parties in a strongly majoritarian system may withhold advise to the new government, which, in turn, will be reluctant to take advice from its ideological contender (Olson and Peters 1996). The danger of losing lessons of experience beyond the tenure of government may be smaller under coalition governments. The lessons of the past are probably best retained where non-state actors are invited to ‘share public space’ (Crouch 1996) and partake in policy-making. This may also be a mixed blessing, however, since it may come at the cost of slower decision making and less experiment.

One-party governments operating in highly adversarial situations often display a negative attitude to contrasting evidence and a tendency towards ‘groupthink’ (Olsen and Peters 1996: 24). Although facilitating long-term investments in institutional reform, long tenure tends ‘to weaken the motivation to call attention to failures and thereby impede learning’ (Olsen and Peters 1996: 15). Power was once famously defined as ‘the ability to afford not to learn’ and ‘the ability to talk instead of listen’ (Deutsch 1963: 111). Such tendencies may be reinforced through safe majorities and long cabinet tenure. Our main hypothesis on the basis of this analysis is that, paradoxically, in multiple-actor political systems learning will be more likely than in single-actor systems, but comprehensive reform less likely. In stead, a concatenation or sequencing of small reforms is the more likely outcome in a multi-actor system. Reform through sequencing involves a longer time perspective, the accommodation of multiple goals, and the mobilization of societal resources outside the realm of electoral politics (Hemerijck and Schludi, 2000). In § 4 we argue that this condition of continuous learning and reform is best fulfilled under conditions of concertation, illustrated by the proliferation of national Social Pacts in Europe in the 1990s.

3.2 Policy mimicking

The second type of policy learning is based on the imitation of successful behaviour of others, a process we call mimicking. Mimicking means that a person or actor is guided by beliefs that have been influenced by looking sideward, observing or contacting others and avoids inferior outcomes thanks to these beliefs. In many circumstances this can be quite an efficient learning mechanism

(Hedström 1998). In uncertain situations, observing others may seem an efficient choice rule (Coleman et al. 1966; March 1981). Organisational sociologists have shown that firms pervasively imitate other firms in order to minimize the chance of negative sanctions from various stakeholders (DiMaggio and Powell 1983; Fligstein 1990; Zucker 1987). Mimicking is especially useful when technologies are poorly understood and goals are ambiguous (Galaskiewicz and Wasserman 1989; House and Singh 1987).

Through borrowing or copying of solutions of others, policy-makers may avoid some of the costs of pure trial and error learning, like the costs associated with the number of trials needed to improve fit; risks of catastrophic error; and loss of time to reach more effective novel solutions (Romanelli 1997). Mimicking may extend the repertoire of potentially effective variations, that is, trials that actors might not have discovered through examination of their own experience or history. It thus extends the range of choice, which under assumptions of incrementalism and bounded rationality is usually restricted to minor modifications of current policies (Berry and Berry 1999; Walker 1969).

Mimicking has its downside too. The cognitive effects of learning through mimicking rather than experience may be vicarious and shallow. Copying errors abound and examples may be chosen for trendy reasons, prestige, conformism, proximity, or because of pure random contacts (Barker 1944; Haveman 1993; Ikenberry 1990; Miner and Haunchild 1995; Perrow 1961; Westney 1987). The economic and organizational literature on diffusion of technology and management has emphasized the difficulty of ‘grafting’ new knowledge onto existing sectors and organizations (Abrahamson 1991; Bala and Goyal 1998; Bikchandani et al. 1998; Dosi 1988; Grilliches 1991; Rosenberg and Stehmüller 1988 Tolbert and Zucker 1983; Westphal et al. 1997). Even a carefully designed process of 'best practice' identification and cross-national mimicking may result in inappropriate strategies (Schludi 2003). Dollowitz and March (2000) list three common failures; the borrowing country misses crucial information about the operation of the policy in the country from which it is taken; crucial elements of the policy or its institutional setting are left out in the transfer; and insufficient attention is being paid to the institutional or cultural conditions in which the imported policy or policy instrument is going to operate.

Mimicking, like social learning, is influenced by the political conditions in which it takes place. Learning from others, like social learning, is probably also failure-induced and failures need to be brought to attention. Even within the setting of multinational companies, where the use of financial data, quantifiable benchmarks and scenario analysis is routine and agreement over single goals and assessment criteria is more common than in politics, individual sites often succeed in concealing their own experiences for fear that disclosing full information will lead them of being exploited by others (Argote 1999). Policy makers never take the option of imitating the 'best practices' of their neighbours lightly, since it represents the recognition of domestic failure. Advertising best practices from abroad contains the risk for incumbents to unveil the weakness of existing policies to investors, opponents and voters. Comprehensive or systematic mimicking will therefore be the exception rather than the rule.

Where national governments have committed themselves to international cooperation, or where there is a strong dependence on aid or approval from international agencies, mimicking and best practice learning may have become a rather general practice, in part voluntary, in part coercive. The growth of benchmarking and best practice learning in recent years, not just in business but also in politics, reflects more than just the ready availability of data and new techniques of information and communication. It reflects also the decreasing autonomy of national state and non-state actors, and their increasing dependency on foreign resources and approval (Schludi 2003).

Adnett (2001: 361) alleges that the 'current infatuation with scoreboards and benchmarking' in the OECD and the European Union runs the danger of 'overly simplistic comparisons of policies across diverse markets'. Modern scholarship in institutional analysis and labour economics has highlighted the importance of complementarities, i.e. instruments or institutions whose effectiveness depends on the presence of other instruments or institutions (Orszag and Snower 1998; Thelen 1999; Ragin 1987). Reliable information over such finesses tends to be lost in cross-national comparisons and is more likely available within countries (Freeman 2000). To the extent that benchmarking encourages a 'pick and mix' approach (Adnett 2001: 361), it may even worsen social outcomes. We should also note that it is easier to diffuse or copy ideas and policy paradigms then to transfer the underlying power relations and institutional arrangements. In short, the outcome of international mimicking would seem to depend strongly on how it is contextualised.

We shall describe two international procedures for mimicking which differ in this respect shortly, in §6. The OECD's Job Study and the European Union's Employment Strategy overlap in time and aims. Both endeavour to improve the poor employment performance of member states in the (later) 1990s. But they embody quite different mimicking strategies, conditions and procedures, with varying consequences for domestic learning and reform.

4. Welfare states learning domestically: the example of social pacts

Domestic learning and the art of national Social Pacts

In the 1990s there was a proliferation of national social pacts in Europe (Fajertag and Pochet, eds. 2000). Social pacts are broad agreements between trade unions and employers' associations, usually at the central (national) level and often with involvement of or under pressure from the government. Typically, these pacts renegotiate existing structures or procedures for negotiations over wages, working time and so on, and promote wage moderation in line with the cost discipline and competitiveness norms imposed by the new hard currency regime of Europe's Economic and Monetary Union. Many of the pacts also sought to obtain union cooperation over structural reforms of social security (pensions, sickness, unemployment insurance) and employment protection (Ebinghaus and Hassel, 2000; Rhodes 2001; Regini 2000). In addition to the early examples in the Netherlands (1982) and Ireland (1986-), we may cite the examples of Finland (1996-), Germany (1999-), Greece (1997), Italy (1993-), Norway (1992-), Portugal (1997-), and Spain (1996-). Not all of these pacts were equally comprehensive; some dealt only with one particular issue or missed the signature of important actors; some ended without significant results (see Streeck 2003 for the case of Germany). Attempts to negotiate national social pacts failed in Belgium (1993; 1996), France (1996-97) and Germany (1996). In Sweden the attempt to establish a so-called Euro-norm for wage rises (1995-6) failed, but one year later several unions and employers associations in industry reached a path-breaking agreement on conflict regulation and economic forecasting, preparing Sweden's membership in the EMU (Elvander 2003; Calmfors 2001).

The organisation and logic of the 1990s social pacts is quite different from the 1970s incomes policies or the traditional forms of social corporatism (Regini 1997; Rhodes 1998). First, they seem to be more fragile, less institutionalised and less based on strong organizational leadership or authority. The social partners, especially their central organizations, appear weaker and the exit costs from pact negotiations lower. Regini (2000) highlights the degree of uncertainty and internal dispute surrounding these pacts. Emergency conditions (a looming national crisis; threatened exclusion from the EMU) play a significant role in bringing the unions on board (Streeck 1999). The presence of the state, as a provider of incentives or coercive is also more strongly felt than was common in traditional (Scandinavian; German or Austrian) social corporatism.

Secondly, while the 1970s agreements were generally centralizing and increasingly based on a logic of political exchange, in which unions traded their cooperation for guarantees on public spending, job creation, social security or worker rights, neither of these tendencies lies at the root of the 1990s social pacts (Regini 1997; Visser 2002). The new social pacts tend to substitute informal consensual norms and moral suasion for formal centralisation of wage bargaining in a situation when the general development towards lower-level bargaining makes centralisation less likely. New flexible technologies and production techniques require more varied reward systems that make centralised wage bargaining less efficient (Lindberg and Snower 2000). Typically, the 1990s pacts try to engage the social partners in introducing more (negotiated) flexibility in labour markets and revising the incentive structure of social security systems. The uncertain reward for unions is that social pacts may fend off the prospect of uncontrolled deregulation; governments may gain political backing, lower levels of conflict and perhaps more fine-tuned regulation in lieu of legal intervention; this would also seem in the interest of employers, who would probably also prefer the slow calm of negotiated reform over the risk and upheaval of sudden political reversals.

These were no easy changes to make – especially not for the trade unions, which seemed at the losing end. There were hard lessons to be learnt, often in emergency conditions. In a changing international context it is not easy to derive clear principles from theory or identify optimal solutions. The most influential analysis of the effect of the structure of wage bargaining on employment suggested that the best performance was obtained under fully centralized (the old Scandinavian solution) or fully decentralized (the US or UK example) conditions (Calmfors and Driffill 1988). Where the first alternative was ruled out or undermined by technical and organizational change, this suggested a one-way street to governments. However, newer analysis, taking account of international trade and the interaction with the new hard currency regime, showed that bargaining at intermediate (sectoral) levels, if combined with some degree of coordination, might be just as effective (Iversen 1999; Calmfors et al. 2001).

In many countries, for instance Austria, Denmark, the Netherlands and Ireland, social partners had already learnt that centralisation or decentralisation may be less important than co-ordination among the major players (Visser 2001; NESC 2003). However, they also learnt that co-ordination works only in a moderately decentralized environment if reasonably comprehensive organisations (unions, employers) that are capable of internal discipline are confronted with mechanisms that require these organisations to come to terms with market forces (international money; an independent central bank, export competitiveness, no industry or firm bail-outs; arms-length relations between companies and the state) (Crouch 2000). The Calmfors-Driffil analysis showed the superiority of either fully centralised or fully decentralised bargaining, on the assumption that parties always adopt a self-serving, non-co-operative approach. If a moderate degree of other-regarding behaviour is introduced—motivated by consideration of long-term, rather than immediate, self-interest and by social responsibility—then even moderately co-ordinated bargaining may yield low unemployment and inflation.

Concertation may be defined as ‘an attempt to reinforce forms of regulation that combine the roles of interest associations and of the state to produce a mix of control and concensus’ (Regini, 2000: 8). It is based on a continuous dialogue in which the organized actors ‘inform each other of their intentions and capacities, elaborate information provided to them, and clarify and explain their assumptions and expectations’ (Visser 2001: 184) Following Schmitter (1983: 8), it lies in the fuzzy zone between bargaining and problem solving, or as he calls it, between the ‘accommodation of interests’, in which contracting parties ‘agree to some specific distribution of initial contributions and subsequent outcomes’, and the ‘reconciliation of purposes’ in which they ‘learn to interpret reality in broadly the same way and to value generally the same thing’.

In an evaluation of the Irish social pacts pacts since 1986, the National Economic and Social Forum attributes five main effects of social learning to concertation: a shared understanding of the key mechanisms and relationships in the formulation and implementation of policy; a better understanding of the interdependence between the organised actors; a greater sense of fairness and sharing of benefits; a problem solving approach in which various interest groups address joint problems; and a deepening of participation at all levels (NESF 1997: 33). Probably, the most interesting property of concertation lies in the possibility that interest organisations like trade unions and employers associations redefine the content of their self-interested strategies in a ‘public regarding' way. Concertation 'involves the players in a process of deliberation which has the potential to shape and reshape their understanding, identity and preferences' (NESF 1997: 33).

A concerted approach to problems and policy failures is founded, in the typology of Hirschmann (1970), in the deployment of 'voice'. Participants are obliged to explain, give reasons and take responsibility for their decisions to each other, to their rank and file, and to the general public. As a Italian union leader once said: concertation is not like a streetcar which you board or leave when it suits you' (cited in Cofferati 1997: 51). Participants give up flexibility. But to avoid all commitments is behaving like 'the investor who keeps his money under the mattress' which, according to Deutsch (1966: 231-2), is not only a manifestation of self-centredness but also associated with poor learning.

5. Mimicking

Benchmarking can be defined as a practical tool for improving performance by learning from best practices and the processes by which they are achieved (O'Reagain and Keegan 2000). It is often seen as a useful strategy for rationally bounded policy-makers acting in an increasingly uncertain environment (CPB 1997) and is routinely used in multinational firms and in international organizations like the OECD, the World Bank and private institutions like the Bertelsmann Foundation or Moody's and Poor. True benchmarking requires (a) collection of data on outcomes and policies that lead to them; (b) assessment of the outcomes and study of how policies leading to these outcomes actually work; and (c) some determination about whether the institutional environment surrounding the policy is similar to that of the observing organization or system (Romanelli, 1999). Not all benchmarking is that much contextualised, however. In the management literature and in policy advise, sometimes one type of 'excellence' is glorified (Peters and Waterman 1982). A decontextualised form of benchmarking, which ignores the local conditions under which policies must be implemented, first and foremost serves as a tool for political or ideological pressure, as is revealed by the following quotation from a World Bank report on public sector management: 'The problem is not that one does not know what to recommend; on the contrary, the goals and instruments are clear. But governments continue to have difficulties implementing PSM reform. The quandary is that socio-political and bureaucratic obstacles in each country impede or block implementation of good practice' (World Bank 1991: 38).

In this paragraph we compare two international procedures for mimicking through benchmarking, the OECD's Job Study and the European Union's Employment Strategy. In the early 1990s the OECD gained a mandate from its Member States to examine the labour market performance of its member countries, draw up a list of guidelines and communicate on a regular basis studies, policy surveys and recommendations to governments (OECD, 1994a; 1994b; 1996; Elmesjov, 1998; Elmeskov et al. 1998). At the core of the OECD's work is the continuing process of consultation, involving 'regular discussion between officials coming from capitals, regular examinations of the policies of each individual member country, studies undertaking by expert groups (…) and formal or informal recommendations to countries' (Kristensen 1967: 106). At the heart of this mutual surveillance process is the Economic and Development Review Committee, convening 4-6 times each year in special sessions and 20-24 times a year to examine a draft 'country survey' issued by the OECD Secretariat. The recommendations issued in the context of the Job Study are integrated in the country surveys, prepared in a lengthy process of preparation, clarification, and negotiation, both in bilateral and multilateral meetings with top ranking government officials and experts (Marcusson, 2002).

Based on the new Employment Title of the Amsterdam Treaty, the EU Employment Strategy was launched late 1997 during the special European Council in Luxembourg. Under the EES, member states conduct their own policies but they are required to expose their policy experiences to common analyses and peer-group evaluation. On the basis of a set of common guidelines, member states are required to draw up National Action Plans (NAPs), which become the basis for a systematic and iterative process of monitoring, benchmarking and peer pressure. In the event the European Commission sees room for improvement in member states' policies, it may draft a recommendation. These recommendations are sanctioned by the Council of Ministers but do not carry a formal penalty in case Member States elect to ignore them.

The European Employment Strategy is an illustration of a new mode of multi-level governance in which domestic policy actors learn to respect each other's differences while accepting commonly agreed guidelines and taking inspiration from ‘best practices’ from abroad as they try to deal with their own problems. The EES itself has become the role model for the new style of policy making in Europe’s multi-level government. This ‘open method of co-ordination’ - officially adopted during the European Council in Lisbon in March 2000 - is advertised as a mutual learning process, based on setting specific targets, periodic monitoring, evaluation and peer review (CEC 2002; CEU 2001; Rodrigues 2000). This method is now also applied in other areas, including education, pensions (see below), social inclusion, and industrial relations. In the multi-level government of Europe, it may be seen as a way to cope with the problems and constraints that the integration of European markets create in policy areas that have not yet been Europeanized themselves but where the saliency of national differences in interests and policy legacies have ruled out common European rules or solutions (Scharpf 2001).

In a comparison of the two strategies, Casey (2002) has shown that there are many similarities in diagnoses and recommendations. They share ae focus on supply-side measures as the dominant approach to lowering the high level of (structural) unemployment in Europe. Behind both campaigns lies an analysis that Europe’s labour markets in the mid 1990s were rigid, too specialised in a small range of relatively secure goods, hampering growth and employment; that unemployment was by a large measure structural, that social security arrangements tended to discourage active search and create unemployment and poverty traps; and that overprotective employment legislation works to the disadvantage of employment chances of women, the young, the old, the unskilled, and ethnic minorities (OECD 1994a; Saint-Paul 1997; Scarpetta 1996). The EES has much more embraced the discourse of activating social policy, whereas the OECD is more reserved about the cost effectiveness of many active labour market policies (Martin 2000).

In its recommendations, an as part of its effort to sell is flexibility prescription, the OECD has held up the United States and, to a lesser degree, the United Kingdom as model countries. In doing so it tends to rely on a simple argument: if one particular set of policies or institutional arrangements dominates others, than copying that feature ought to raise social outcomes and moving towards that ‘single peaked’ outcome ought to be relatively costless (Freeman 2000: 191). This element is missing in the European Employment Strategy, which tried to strike a more equal balance between flexibility and security. The EES is, according to Casey (2002: 17), ‘more aware of the potentially negative outcomes that can result from following through some of its recommendations. Accordingly, it is more willing to counsel caution, and more willing to suggest the need for compensatory actions.’ The reason is that the European Employment Strategy is being ‘influenced by a “social model” in a way that the OECD strategy is not’ (ibid.).

This difference in content reflects differences in organization and procedure. The OECD follows a more centralised approach, with country specialists preparing and examining their own data on policies, outputs and outcomes. The OECD ‘country desks’ perform a seemingly academic, technocratic analysis, which can be finished almost entirely without the cooperation of member states, though publication is occasionally preceded by tough negotiations with national officials. This format allows stronger domination by one particular set of ideas on policy problems and solutions. It is 'learning from others', though with a strong prescriptive bias and a narrow, single-purpose definition of excellence. One is not surprised to read, in a self-critical assessment of an OECD expert, that a 'key reason cited for slow and sporadic implementation of the OECD Jobs Strategy is the perception that undertaking reform involves conflict with policy objectives concerning equity and social cohesion' (Elmeskov, 1998, italics added). The EES explicitly relies on co-operation from the member states even in the provision of data (the National Action Plans) and the organization of peer review. It is therefore more contextualised by domestic concerns. While the OECD's learning from others tells how it should be, learning with others in the EES tells what is feasible.

6. Welfare states learning ahead of failure?

6.1 Expanding the boundaries of rationality?

If it ain't broke, don't fix it. The corollary of failure-induced learning is that success breeds failure. Repeated success tends to produce 'introverted complacency' (Starbuck and Hedberg 2001: 338), thus reducing the motivation to learn. Starbuch and Hedberg (2001) distinguish between moderate and chronic success, and between sudden and repeated failure. Moderate success increases what organisational sociologists call 'slack' (Thompson 1967), the extra resources and confidence needed for risk taking and experimentation. At the same time, slack increases the tolerance for errors and routine behaviour at the expense of curiosity. Cyert and March (1963: 36-8) argued that in private firms moderate levels of slack (moderate success) and a sudden reduction in resources were conducive to search activities. Chronic success, however, tends to combine with overspecialisation and restricted attention (Sitkin 1992). Miller (1990) tells the story how exceptionally performing companies tend to work their success to the point 'that Icarus' wings are melted by the sun'.

Failure may induce a reassessment of priorities and policies, but chronic failure tends to become destructive and paralysing, as people exit, those that stay behind become demoralized, budgets decline, customers become more discontent, etc. (Starbuck et al. 1978). Plausibly, under lenient conditions only exceptionally inappropriate policies will lead to the perception of failure. In contrast, where failure is chronic most policies will not be tried long enough as no policy will be associated with the experience of success. The corollary is that in good times we will observe little experimentation and in bad times much needless change (Levitt and March 1988).

'To be successful …one must learn to dream of failure' (Henry 1965, cited in Sitkin 1996: 557). This requires slack – unused resources and time to engage in experiment and 'a stragegy of small failures' from which greater adaptability is gained (Sitkin 1996). Under conditions of crisis, there is little time for international comparison and evaluation. In such cases, a quick and primarily national response must be found, using recipes and routines from the past. Decision makers are pressed to make very swift decisions and thus likely to make mistakes on the basis of ad hoc considerations, sometimes making things worse (Allison 1971). Unfortunately, it is consistent with the conditions of bounded rationality that macro-economic shocks, health scares, political protests, safety crises, and the like, will usually take policy-makers by surprise, even if early warnings are available. In theory, policy-makers might be prescient and have a response for every policy problem that falls within a range of probability. In realities, resources will be committed and policy-makers usually do not have a clear picture of policy risks and their causes or dynamics.

Learning ahead of failure has three dimensions: precaution (overcoming shortism), the creation of buffers (slack) and ‘scanning the future’ on the basis of scenario’s and best practice learning. With regard to social pacts and coordinated wage bargaining the crucial question was: can such apparently successful strategies, developed under the threat of crisis, be maintained in normal (non-crisis) times when no threat to the national interest or some other major motivating force can be invoked? In other words, can social pacts become part of a precautionary strategy? The incentives for such precaution will in part depend on how future uncertainty is evaluated against past experience. If, for instance, cyclical developments turn out to diverge among the euro countries, and if, as one must expect, fiscal policy proves to be an insufficient stabilisation policy tool in that situation, then it is likely that extra or early wage restraint through coordinated policies may come to be seen as a necessary means of stabilising a recession-struck economy. The mere uncertainty of the macroeconomic consequences of EMU and the perceived risk of large imbalances at specific occasions may imply a precautionary motive for this type of coordination (Calmfors et al. 2001) and it will be much easier to achieve coordinated wage restraint when it is needed, if there is a degree of coordination also in more normal times (Visser 1998). Since such coordination efforts have already been undertaken in several countries in recent years, it may therefore be perceived as efficient to continue such efforts as a stand-by measure for an uncertain future even if they seem redundant in the present. Such precautionary routines are to be compared with a fireguard. They need 'dry' training every so often in order to maintain their effectiveness.

6.2 Case: Pensions

Pension reform may actually be the litmus test for the effectiveness of learning ahead of failure. Demographic ageing constitutes one of the most pressing policy problems throughout the advanced welfare states of Europe. Advanced welfare states are more and more squeezed between a growing elderly populations and international economic pressures to reduce taxes. But, given the tremendous variety of national systems of retirement provision and the high degree of path dependency and the strong popular support to public pension schemes, the impediments to radical policy change and the barriers to cross-national policy transfer are probably stronger than in other areas of welfare provision. As is well-known, there are huge sunk costs invested in national pensions systems. Hence, an overnight shift from PAYGO to a fully funded system would impose a double financial burden on at least one generation (Myles and Pierson, 2001). Despite the tremendous domestic political sensitivities and divergent policy legacies of national pension systems, pension reform has become a fertile subject for international organizations, such as the International Monetary Fund and the World Bank, recommending the transfer of pension reforms across world. More recently, on the initiative of the Belgian presidency, the European Union likewise launched a new strategy of open coordination over pensions in 2001 (Schludi, 2003).

Among scholars and key policy makers there is near unanimous agreement that pension system reform must be coupled to employment policy. Sustainable pensions will be difficult to achieve unless the employment rates among especially women and older workers will be raised. The real challenge lies in how to allocate the additional expenditures that inevitably accompany population ageing (Myles, 2002). Clearly, the demographics vary substantially between countries. With very low birth rates and high rates of early retirement, the welfare states of continental and Southern Europe face the strongest pressures. A reduction of public debt by the time that huge cohorts enter into retirement, around year 2030 in most cases, is vital in order to create greater financial leeway for anticipated spending increases.

In the 1990s, a number of European countries, notably the Netherlands, France, Portugal, Ireland, and Belgium, have started to build up pension reserve funds. That is, they tried to create slack in order to maintain adequate pension provision when the baby-boom generation retires. Incremental adjustments have been made in the retirement age, replacement rates and indexation systems. Under pressure from EU equality legislation, most countries are in the process of equalising the legal retirement age of men and women. In Finland pension benefits are now calculated on the basis of the last ten rather than four years; in Italy, the reference period has been extended to the entire career. Changes in indexation rules for pensions are now common in many countries. In Sweden, for example, a new proviso states that if pension liabilities exceed assets, then pension indexation will automatically fall behind the income index until the balance between assets and liabilities has been restored. Austria and Germany have moved from gross to net wage indexation, while France and Italy have shifted from wage to price indexing. Both Italy's and Sweden's reforms move in the direction of a defined-contribution pension scheme (Schludi, 2002). These are far-reaching reforms, but their implementation is very incremental, allowing for a long transition period which enables younger cohorts to anticipate a decline in prospective pension benefits by building up supplementary private pension entitlements. In Southern Europe, pension reforms have gone hand-in-hand with attempts to upgrade minimum pension benefits.

Few welfare states have introduced proactive policies to raise the employability of older workers. In Finland, part-time retirement was already introduced in the late 1980s. Tax allowances for older workers who remain employed, possibly on a part-time basis, have been introduced in Denmark, so as to enhance the choice-menu among older workers. In Belgium older employees can reduce working hours progressively until they reach retirement age in exchange for a partial pension. Countries like Austria, Belgium, France and Germany now add contribution years to the insurance records of parents who raise children. In the Netherlands, part-time and temporary workers are granted access to basic pension and health care entitlements.

Empirical research has shown that the political feasibility of pension reform tends to depend upon the institutional capacities to orchestrate a consensus among major political parties and preferably with the trade unions (Schludi, 2001). Ground-breaking reforms are almost impossible to achieve without broad partisan support. In Sweden, reform began with a broad political consensus between the social democrats and the bourgeois parties and was subsequently extended to the social partners. In Italy, support from the trade unions was a sine qua non for the shift to defined-contribution system. Ex negativo, the absence of co-operation among mainstream French parties and the social partners is an important cause for the lack of progress in pension reform (Palier, 2000; Levy, 2000).

Pension reform has become a fertile subject for international organizations since the 1990s. The Chilian Model and the three-pillar pension model advocated by the World Bank (1994) are prime examples. Since the mid-1990s the European Union, too, has been trying to carve out a policy space over the issue of pension reform. The main impetus came from Monetary Integration and the prerequisite of sound public finance dictated by the Growth and Stability Pact (Treaty of Amsyterdam, 1999). . In addition, , the EU is charged with the task to facilitate the movement of workers across borders and to ensure the portability of pension rights in the European Economic Area. The initiative for a coordinated pension strategy came from the EU's Economic Policy Committee (EPC), which in 2000 produced its first report on howpublic pension systems would become unsustainable in an rapidly ageing society. In this report, the countries relying on a large Pay As You Go public pensions pillar came off worst (Schludi, 2003). In an attempt to establish a countervailing institutional weight to the hegemony of Finance Ministers in the EU pension debate, a Social Protection Committee (SPC) was established in June 2000, with a Treaty basis in Nice (new Article 144).In an attempt to seek greater coherence between the different positions of social and economic policy makers, the European Council in Stockholm and Gothenburg (March and June 2001) engaged the EPC and SPC to draft a joint report. This marked the start of the Open Method of Coordination in pension policy. In November 2001, under the Belgian Presidency, the two committees proposed a set of normative principles, common objectives and working methods in order to create an integrated framework for policy co-operation,summarized under the three headings: safeguarding the capacity of systems to meet their social objectives, maintaining their financial sustainability and meeting changing societal needs. Although it is too early to evaluate the results of the OMC in the field of pensions, its main contribution, thus far, would seem to be in developing a common cognitive understanding of European pension predicament, while setting in motion of much-needed research and analysis regarding national pension strategies. However, the EU pension strategy reveals that the Open Method of

Coordination is not only a cognitive but also a normative tool for developing common objectives. Learning, in this case, inevitably involves the search for principles of distributive justice across and within generations.

7. Conclusions

In order to better understand the empirical dynamics of welfare reform and to generate more incisive questions than have been posed thus far in mainstream rational choice and institutional approaches, we have advocated a policy learning perspective on the study of changing welfare states. Policy reform is not merely ‘a contest for power’ but depends also on the extent to which policy actors agree over the cognitive definition of policy problems and the normative benchmarks for effective solutions. Combining insights from different social science disciplines, we believe, will help us to generate more incisive questions and hypotheses on the role of cognition, framing, crises, learning cycles, international pressure and models of best practice in changing such complex systems as are modern welfare states. In keeping with the recognition that policy learning is a social rather than individual process, research should focus on how the interaction between the various policy agents can stimulate or block learning processes. Distinquishing between different constellations of domestic social learning (of politicians alone or together with social interest groups) and international mimicking (from each other or with each other), we have offered several conjectures with regard to the dynamics, the nature and the effects of learning (Table 1 for a quick reference).

To guide future research, we end with some general hypotheses, as may be derived from these conjectures.

Learning from experience is richer and produces more lasting effects on cognitions than mimicking or learning from others. De-contextualised and ‘top-down’ benchmarking, as in the OECD Job Strategy, is more likely to destabilise cognitions and build ideational pressure to reform, whereas contextual, fuzzy and ‘bottom-up’ benchmarking, as in the European Employment Strategy, is more effective in influencing the operating conditions of policies, especially when combined with measurable indicators and quantitative targets, and efficient monitoring agencies. All learning is based on an awareness of policy failure, crisis and sense of urgency. Before policy alternatives are placed on the political agenda, the status quo must be considered unsatisfactory or unsustainable. This requires often a good deal of framing, possibly with the help of international organizations and comparison. The joint observation of unpleasant facts, as in joint councils bridging different interest groups, is an essential step in learning with others and an important condition for coordinated of policy change with effective implementation. Social learning tends to depend on stable participation and trust-building, but tends to move in cycles, as success breeds confidence and introverted complacency. Learning ahead of failure requires slack resources, experiment and foresight, conditions which are rarely met in politics. The potential of mimicking is that, by comparison with 'the best' or by showing alternative solutions, it stimulates such learning ahead of failure. The weakness of mimicking is that its lessons, void of experience and often trendy, may remain shallow and suggest quick fix solutions

While we have stressed in the preceding op pages the different assumptions that underlie scientific learning and democratic politics, we sympathise with attempts to design institutions that reconcile the two, as proposed by Dorf and Sabel (2000). Such institutions allow different nations, political parties, interest groups, and their constituencies, to monitor each other's behaviour while encouraging them to jointly re-evaluate policy processes and outcomes in the light of these observations and adjust their reciprocal expectations accordingly, possibly reaching better co-ordinated policies. We have refrained from designing rules or institutions for 'best practice' in policy learning and mimicking. From the comparative research on the role of policy learning in welfare state reform along the lines we have proposed, we may also gain a better understanding in what works in 'deliberative governance'. This contribution to the research on institutional renewal and reinvigoration in democratic policies is perhaps the most important contribution promised by the leaning perspective.

(11.972 words)