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Similar structures, different outcomes: corporatism's resilience and transformation (1974–2005)

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Until a few years ago, the received wisdom about corporatism was that although it had once been an important institutional alternative to liberal capitalism, it was crumbling everywhere due to the combined effects of globalization, European integration, technological change, and a generalized employer offensive. Against this backdrop, this paper argues that corporatism survived as an institutional structure (at least in European countries), but became pointedly less egalitarian. Essentially, it became a policy process by which governments that were unable or unwilling to engage in unilateral reform (for example, due to parliamentary weakness or fear of electoral retribution) managed to implement policy changes whose fundamental orientation was neoliberal. Perhaps surprisingly, the new corporatism also became more internally participatory and democratic than in the old days. This change compensated for the disappearance of the political exchange traditionally associated with classic corporatism. Because unions were no longer rewarded for bargaining moderation through more generous social protection programs or other side payments, they began to pay more attention to issues of procedural democracy in order to legitimize centrally negotiated agreements. The evidence buttressing these claims comes from quantitative data for 16 OECD countries between 1974 and 2005 and case study evidence of Ireland and Italy.

Keywords: *corporatism, advanced capitalist economies, comparative political economy, labor relations*

JEL codes: *J50 Labor–Management Relations, Trade Unions, and Collective Bargaining; P51 Comparative Analysis of Economic Systems*

1 INTRODUCTION

Twenty-five years ago, corporatism was the subject of much discussion in comparative political economy and macrosociology. With its seeming ability to combine both good economic performance and a relatively egalitarian wage and income distribution, a large and activist public sector, and generous social protection policies, it was regarded as a viable institutional alternative to the model of liberal capitalism prevailing in the USA and other English-speaking countries, and perhaps even as a model for all countries (see, among a very long list, Goldthorpe 1984; Hicks 1988; Katzenstein 1985; Lange and

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Garrett 1985; Lehmbruch and Schmitter 1982; Przeworski and Wallerstein 1982; Western 1991).

The tone of the scholarly and policy discussion changed dramatically over the course of the 1990s. Extrapolating from highly symbolic events like the demise of centralized bargaining in Sweden and its crisis in Denmark and other countries (Iversen 1996; Swenson 1991; Swenson and Pontusson 2000), several scholars came to the conclusion that corporatism was in a state of terminal crisis and that it would not be able to survive the blows of – depending on the observer's particular perspective – globalization, European integration, technological change, and a generalized employer offensive (Gobeyn 1993; Hall and Soskice 2001; Iversen 1999; Iversen et al. 2000; Locke 1995; Schmitter 1989; Streeck 1993; Streeck and Schmitter 1991; Thelen 1994, pp. 387, 410, and passim).

This paper argues that while corporatism survived as a policy-making structure, its outcomes and internal processes changed dramatically. In particular, the paper makes four interrelated claims. First, based on a new measure of corporatism, it argues that there is no long-term decline in corporatist policy-making, as witnessed *inter alia* by the mushrooming of quintessentially corporatist 'social pacts' in various countries in the 1990s and 2000s (Avdagic 2010; Baccaro 2003; Baccaro and Lim 2007; Baccaro and Simoni 2008; Compston 2002; Culpepper 2002; Culpepper 2008; Hamann and Kelly 2007; Hancké and Rhodes 2004; Hassel 2006; Hassel 2009; Molina and Rhodes 2002; Perez 2000; Regini 1997; Traxler 2004; Wallerstein et al. 1997).

Second, although corporatism survived *qua* institutional structure, its political-economic outcomes changed and became pointedly less egalitarian than those of the corporatist golden age. The latter was dubbed a 'superior economic system' for its ability to reconcile good economic performance with a more egalitarian and less divisive society (Brady 2003; Hicks and Kenworthy 1998; Lange and Garrett 1985; Pekkarinen et al. 1992; Pontusson 2005; Wright 2000). The new corporatism became instead a policy process by which governments that for various reasons were unable or unwilling to restructure unilaterally managed to smooth out the implementation of fundamentally neoliberal policy reforms.

Third, the new corporatist institutions became more internally participatory and democratic than those of the old days. Unions in particular began to take great pains to democratically legitimate the outcomes of national bargaining through debates and referenda. This coexistence between market-conforming policy outcomes and democratic organizational features was not a coincidence. In the new political-economic regime, labor unions were no longer rewarded for bargaining moderation through more generous social protection programs or working-time reductions as they once had been. Consequently, they sought to compensate for declining (or even absent) output legitimacy (Scharpf 1999) by strengthening procedural legitimacy.

Fourth, the resilience of the corporatist form and the change in the outcomes associated with it suggest that despite very different historical legacies and institutional sets, advanced countries have been evolving along a common neoliberal trajectory (see also Streeck 2009). Although institutional forms remain different across countries, the way national economic institutions function and the outcomes they produce has become increasingly homogenous (Baccaro and Howell 2011).

The remainder of the paper is organized as follows: it begins in Section 2 by tracing the trajectory of corporatist policy-making over time. It then engages in an econometric analysis of corporatism's outcomes in Section 3, focusing on inequality. In Section 4 it goes on to provide a reconstruction of historical developments in Ireland and Italy, the two countries in which the corporatist renaissance was both most evident and most surprising. A discussion of the new corporatism as adaptation to a neoliberal regime follows in Section 5. The paper concludes in Section 6 by considering the implications of the argument for theories of capitalist convergence and divergence.

2 NO TREND TOWARDS CORPORATIST DECLINE

Corporatism was originally conceptualized as the combination of two elements (Schmitter 1982): (1) a structure of the interest group system characterized by singular, monopolistic, and internally-hierarchical interest groups representing labor and capital (Schmitter 1974); and (2) a public policy process in which the above groups were systematically involved in the design and implementation of policy (Lehmbruch 1979; Pizzorno 1978b; Streeck and Kenworthy 2005). The label adopted, '(neo)-corporatism,' was meant simultaneously to draw attention to the structural similarities between the interest group systems of some modern democracies and those of the old (that is, fascist) corporatist systems (Crouch 1983), and to underscore that the 'incorporation' of interest groups into the machinery of government was typical of the policy regime in question (Martin 1983).

Structure and process were thought to be strictly connected (Cawson 1986). It was hypothesized that a corporatist organization of the interest group system would provide the most hospitable institutional environment for corporatist (or 'concertative') policy-making. The reason was that the types of policies negotiated in corporatist forums required interest groups to have (or develop) a capacity to sacrifice the short-term interests of their constituents in exchange for long-term gains. Only interest groups which were both monopolistic in their domain – that is, insulated from competition from similar groups, and internally hierarchical such that leaders could ignore members' dissent – would be reliable partners in corporatist deals.

The early indicators of corporatism consisted of rankings of countries based on rather impressionistic assessments of interest group participation in policy-making, associational centralization, organizational density (capturing the extent of organizational *encompassigness* (Olson 1982)), and centralized or coordinated bargaining structure (Bruno and Sachs 1985; Calmfors and Driffill 1988; Cameron 1984; Dell'Aringa and Samek Lodovici 1992; Lehner 1987; Schmitter 1981; Soskice 1990; Tarantelli 1986a). In addition, these indices were snapshots taken at a particular point in time.

Later on, a number of time-changing indicators became available (Golden et al. 2006; Kenworthy 2003; Visser 2009). This paper relies on one of these time-changing indexes: the index of collective bargaining coordination elaborated by Kenworthy (2003), and combines it with a new indicator of tripartite policy-making to produce a time-changing measure of corporatist policy-making.

The measure does not include the structural dimension of singular, monopolistic, and internally-hierarchical interest groups and focuses instead on the process dimension of coordinated bargaining and tripartite policy-making (Katzenstein 1985; Korpi 1983; Lijphart and Crepaz 1991). The reason for not considering the structural dimension is that research has cast doubt on the proposition that it is or even was a prerequisite for concertative policy-making (Baccaro 2003; Molina and Rhodes 2002; Perez 2000; Regini 1984; Regini 1997).

Thus the corporatist index proposed here is composed of two elements: on the one hand, the degree of coordination of collective bargaining – the focus of the early scholarship on corporatism (Bruno and Sachs 1985; Calmfors and Driffill 1988; Cameron 1984; Rowthorn 1992; Soskice 1990; Tarantelli 1986b); and on the other hand, a new measure of the extent of tripartite involvement in macroeconomic, social, and labor market policy. Because the scale is the same, the index adds the two sub-indexes weighted equally. The corporatism index covers 16 advanced national economies (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, the UK, and the US) between 1974 and 2005.

The two components of the indicator complement each other. While wage bargaining coordination may be the result of purely bipartite (labor–capital) interaction, the second component focuses on negotiated public policy-making and does not include purely bipartite centralized agreements. In addition, because not all agreements are perfectly tripartite, the scores of tripartite policy-making are weighted by the extent to which unions and employer organizations buy into them. A country scores highly on the corporatist policy-making index when its bargaining structure is highly coordinated and its policy-making process in the macroeconomic, labor market, and social policy domains is explicitly tripartite. Details are provided in the Appendix.

Figure 1 displays yearly averages of the corporatist index for 16 countries. The graph suggests that there was indeed a decline of corporatist policy-making from the late 1970s to the late 1980s, but that this decline was followed by a renaissance in the 1990s and 2000s. Country-by-country scores suggest a declining trend of corporatism in Australia, Sweden, and the UK, decline followed by resurgence in Spain, overall stability in Austria, Belgium, Canada, Denmark, France, Germany, the Netherlands and the US, and growth in Finland, Ireland, Italy, and Norway. From the 1990s on, corporatist policy-making became a peculiarity of (some) continental European and Scandinavian countries, having been abandoned in English-speaking countries except for Ireland.

Interestingly, the two components of the index – collective bargaining coordination and tripartite policy-making – have different trends. There was a deterioration of collective bargaining coordination between the late 1970s and the early 1980s as argued by the literature on collective bargaining decentralization (Katz 1993; Katz and Darbishire 2000; Locke 1992; Locke et al. 1995), and then substantial stabilization. Instead, tripartite involvement in policy-making increased continuously throughout the 1980s and 1990s, albeit at a declining rate. This suggests that the corporatism that re-emerged in the 1990s was of a particular kind: it combined a more decentralized organization of industrial relations with deeper involvement of the social partners in the political sphere (Katz et al. 2004).

Table 1 displays rankings of countries based on the index of corporatism described above. The index for 1974–1989 is similar to the various indices produced in the 1980s as it places Belgium, Sweden, Austria, and other Scandinavian countries towards the top; US, Canada, France, the UK, and Italy towards the bottom; and Germany somewhere in the middle (see Schmitter 1981). Germany has never been a poster case for national-level macro-corporatism (Martin and Thelen 2007), and this is reflected in its middle-range position.

However, the ranking for 1990–2005 is rather different. Two countries, Italy and Ireland, considerably increased their scores and two other countries, Australia and Sweden, fell to the bottom of the table as a result of the dismantling of the Accord in Australia and the demise of centralized bargaining in Sweden.[1]

1. The change in country ranking is not driven solely by the tripartite policy-making index. In fact, Ireland and Italy have the greatest increase in wage coordination in the sample.

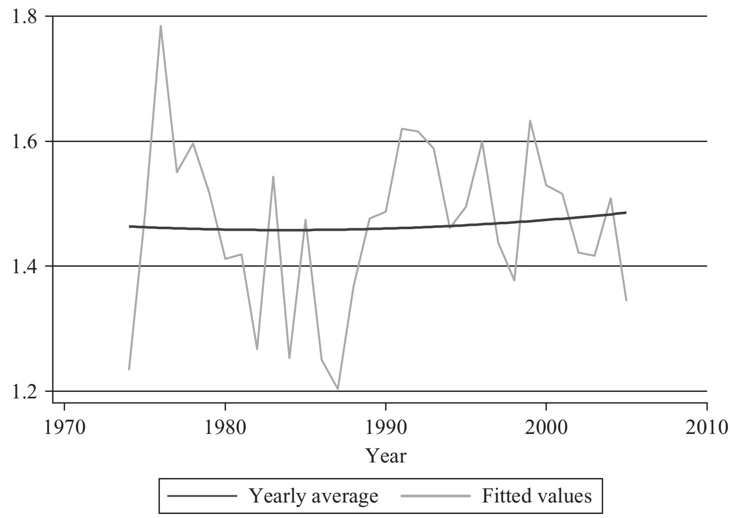

Figure 1 Mean yearly index of corporatist policy-making (16 countries)

Table 1 Corporatist index: country scores and rankings

	1974–1989		1990–2005		Change in ranking		Change in score
Belgium	2.56	Ireland	3.76	Ireland	10	Ireland	2.44
Sweden	2.04	Belgium	2.89	Italy	7	Italy	0.85
Norway	2.03	Norway	2.82	Germany	2	Norway	0.79
Austria	2.00	Finland	2.70	France	2	Finland	0.72
Finland	1.98	Italy	1.90	Finland	1	Belgium	0.32
Spain	1.90	Austria	1.84	Netherlands	1	Netherlands	0.26
Denmark	1.56	Netherlands	1.79	Canada	1	Germany	0.19
Netherlands	1.53	Germany	1.69	Norway	0	France	0.01
Australia	1.52	Denmark	1.22	US	0	US	0.00
Germany	1.50	Spain	1.13	Belgium	–1	Austria	–0.16
Ireland	1.32	Sweden	1.13	Austria	–2	Denmark	–0.34
Italy	1.05	France	0.56	Denmark	–2	Canada	–0.38
UK	0.68	Australia	0.48	UK	–2	UK	–0.68
France	0.55	Canada	0.00	Spain	–4	Spain	–0.78
Canada	0.38	UK	0.00	Australia	–4	Sweden	–0.92
US	0.00	US	0.00	Sweden	–9	Australia	–1.03

A peculiarity of the new corporatism relative to the old is that it emerges in a context of generalized union decline (see Figure 2). This phenomenon did not just affect Anglo-Saxon countries, in which institutional protections for labor unions are traditionally less extensive than in Continental European countries, but was equally significant in comparatively union-friendly environments such as Austria, Germany, and the Netherlands. Even some Scandinavian countries (Denmark, Finland, and Sweden) were affected by it, although to a lesser extent than other countries, and beginning from the mid-1990s rather than earlier.

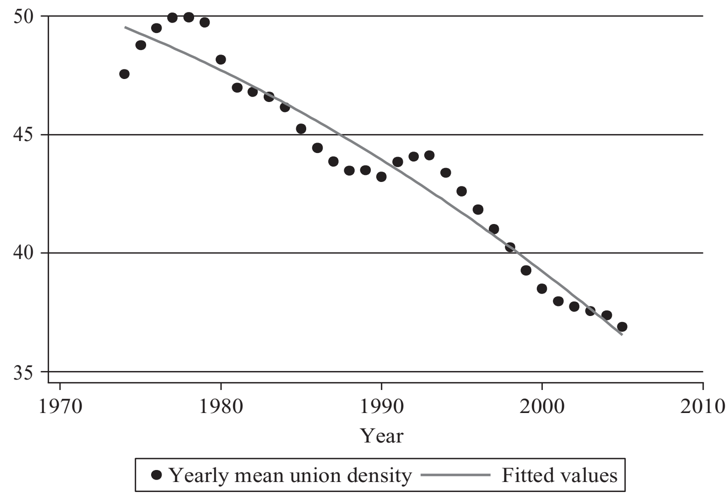

Figure 2 Average union density in 16 OECD countries

In brief, the evidence reported above suggests that there has been no generalized crisis of corporatist policy-making: there was a decline in the 1980s, but it was followed by a re-emergence in the 1990s. Compared to the older incarnation, however, the countries that have been at the forefront of the corporatist renaissance have been Ireland and Italy – that is, two countries that previous scholarship had qualified as particularly inhospitable to this kind of policy-making.

The next section examines distributional outcomes through a regression analysis.

3 WHITHER CORPORATIST REDISTRIBUTION?

A large literature suggests that corporatist systems are associated with greater economic equality (Blau and Kahn 1996; Bradley et al. 2003; Hicks and Kenworthy 1998; OECD 2009; Pontusson et al. 2003; Rowthorn 1992; Rueda and Pontusson 2000; Wallerstein 1999). However, the analyses supporting this conclusion stop at the early 1990s and do not cover more recent periods. In addition, they generally do not directly correlate measures of corporatism with inequality,[2] but focus on proxies such as union density and collective bargaining structure. This section compares the redistributive effects of corporatist institutions before and after 1990. The main questions asked are: does corporatism reduce inequality and does the new corporatism have similar leveling effects to the old?

The analysis relies on data on inequality of household disposable income from the Luxembourg Income Study (LIS), which are available at approximately 5-year intervals beginning around 1980 (see Appendix). The dependent variable, a measure of inequality, is the first principal component of five highly correlated indicators in the LIS database: the Gini coefficient, the d9/d1 decile ratio, the d9/d5 ratio, the d5/d1

2. An exception is Hicks and Kenworthy (1998). One study used wage compression as a proxy for corporatism (Freeman 1988).

ratio, and the relative poverty rate (with a threshold of 40 percent of median income). All these indicators refer to net (post-tax, post-transfer) disposable income.

The key independent variable is the measure of corporatism presented above. Since the dependent variable is inequality of net disposable income, the role of the welfare state needs to be taken into account.[3] Thus a measure of welfare state size is included among the control variables. This is a principal component of two variables: total public social expenditures as a percentage of GDP, and the total tax wedge as a percentage of GDP, including social security and indirect taxes (see Appendix). A corporatist system may impact net income inequality both directly, for example by compressing wage differentials, and indirectly, by providing political support for a large welfare state and associated redistribution (Esping-Andersen 1990; Esping-Andersen and Korpi 1984; Korpi 1983; Korpi and Shalev 1979; Rowthorn 1992; Stephens 1979). By conditioning on welfare state size, the econometric analysis presented below focuses on the direct effect of corporatism on household incomes.

Further specifications also control for the impact of the employment rate;[4] demand and supply of skilled labor (*ceteris paribus,* higher supply of skilled labor should reduce inequality, higher demand should increase it);[5] cross-country differences in trade and capital openness; union density; and the weight of social-democratic parties in government. Since the first data on inequality are available for 1978, the time span of the analysis is 1978–2005.

Two simple 'between' regressions on averaged data for two periods, 1978 to 1989 and 1990 to 2005, respectively, are estimated and their coefficients are compared to see if they change over time. Since the data are available at 5-year intervals, most variation is cross-sectional. Using a more complex technique that takes into account the time dimension as well, such as a pooled time-series cross-sectional analysis of annual data based on the Baltagi and Wu (1999) random effects estimator (not reported here), does not fundamentally alter the results of the analysis.

Although the choice of the cut-off point is somewhat arbitrary,[6] it can be argued that a new political-economic regime emerged in the 1990s. With the collapse of the Communist bloc in 1989, capitalism became *de facto* the only game in town. International financial flows exploded in the early 1990s (Frieden 2006, p. 381). In Europe,

3. A large welfare state is known to lead to a less uneven income distribution (Bradley et al. 2003; Kenworthy 2008; Kenworthy and Pontusson 2005). This is mostly due to the impact of transfers, while the direct redistributive impact of taxes is estimated to be lower. Taxes contribute to redistribution primarily by financing generous transfers (Kenworthy 2008; Mahler and Jesuit 2006). The analysis here simply controls for the aggregate effect of the welfare state, and does not distinguish between the effects of taxes and transfers.
4. The impact of the employment rate on household inequality seems theoretically indeterminate: an increase in the employment rate may reduce (increase) inequality depending on whether the additional jobs are taken up by members of poorer (richer) households.
5. The demand for skilled labor is proxied by the weight of information and communication technology (ICT) capital on total capital. The rationale is that because ICT is skill-intensive, a greater weight of ICT in capital composition should imply a greater demand for skills.
6. Should the cut-off point be moved back to 1985 – another plausible turning point, as inflation is defeated in advanced countries thanks to the transition to a new, 'hard currency' monetary regime (Notermans 2000) (which in Europe implies tightly linking the national currency to the Deutsche Mark), and international trade accelerates (Frieden 2006, pp. 387, 410, and passim) – several countries (Austria, Denmark, Finland, Ireland, and Italy) would have to be left out of the analysis due to the unavailability of inequality data.

the Maastricht process leading to monetary union began in 1991, and the internal market was completed in 1992.

The main goal of the exercise is to see whether the estimated effect of corporatism has changed over time. Table 2 presents the results of cross-sectional regressions for the 1978–1989 period. With only 16 observations, additional controls to the core model with corporatism and the welfare state size as regressors are entered one by one in separate specifications.[7] Higher levels of corporatism are significantly associated with lower inequality in this period. As expected, the size of the welfare state also has a strong and highly significant inequality-reducing effect. These results hold when controlling for the employment rate (Column 2), for union density (Column 4), for the country's openness to trade (Column 5), for a measure of tariff liberalization (Column 6), for a measure of capital openness (Column 7), for skilled labor supply (Column 8), for skilled labor demand (Column 9), and for the employment rate and capital openness together (Column 10).[8]

The corporatism coefficient is not significantly different from zero at standard confidence level – although it is close – controlling for the presence of social democratic government (Column 3). Historically, corporatism and social democracy have frequently overlapped, particularly in Scandinavian countries. Econometrically, this implies that it may be difficult for OLS to sort out their respective contributions to inequality.[9]

Table 3 estimates exactly the same models as in the previous table for the period 1990–2005. The sign of the corporatism variable is still negative but it is no longer possible to reject the hypothesis of zero-coefficient. Judging from the magnitude of the point estimates, the inequality-reducing effect of corporatism is about three times smaller than in the previous period. Instead, the size of the welfare state remains significantly negatively associated with inequality and seems able to account for a greater share of the cross-country variation in the dependent variable.[10] No other predictor is significant.[11]

Unreported specifications entering coordinated wage bargaining and tripartite policy-making separately suggest that the factor that contributed to inequality-reduction in the

7. A Breusch–Pagan / Cook–Weisberg test for heteroskedasticity of residuals does not reject the null of homoskedastic errors (chi2(1) = 0.25, p-value = 0.6179); hence OLS standard errors are used for hypothesis testing.

8. Aside from corporatism and the welfare state, the only other significant predictors are the employment rate and capital openness, both with negative signs. The former result suggests that boosting employment is an important contributor to inequality-reduction, at least until the 1980s (Kenworthy 2008); the latter result conflicts with previous results on the impact of globalization on inequality. For example, the IMF (2007) finds that financial globalization has increased inequality. If capital openness increases poorer households' ability to borrow, it may reduce inequality through this channel.

9. The results in Column 1 of Table 2 hold if the model is re-estimated excluding one country at a time.

10. Capital openness is no longer significantly negatively associated with inequality in the later period. There is much greater variation in capital account openness in the earlier period than in the later one. One possible explanation for the changing result is that capital account liberalization was associated with lower income inequality for early adopters (for example by facilitating access to credit by the less wealthy). However, when it spread to additional countries its impact was no longer significantly different from 0.

11. The results in Column 1 of Table 3 hold if the model is re-estimated excluding one country at a time. Similar results about the effects of corporatism are found if OECD data on earnings (as opposed to income) inequality are used as dependent variable.

Table 2 Determinants of inequality (1978–1989) (OLS)

	1	2	3	4	5	6	7	8	9	10
Variables	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality
Corporatism	−1.190**	−1.253**	−1.066	−1.157**	−1.192**	−1.183**	−1.438***	−1.187**	−1.163**	−1.439***
	(−2.579)	(−3.010)	(−1.724)	(−2.316)	(−2.435)	(−2.462)	(−3.730)	(−2.562)	(−2.445)	(−3.932)
Welfare state	−0.834**	−0.719**	−0.854**	−0.781*	−0.840*	−0.869**	−0.974***	−0.973***	−0.797**	−0.872***
	(−2.693)	(−2.527)	(−2.611)	(−1.991)	(−2.102)	(−2.366)	(−3.794)	(−3.125)	(−2.459)	(−3.450)
Employment rate		−0.0627*								−0.0428
		(−2.012)								(−1.521)
SD government			−0.00520							
			(−0.317)							
Union density				−0.00518						
				(−0.235)						
Trade openness					0.000357					
					(0.0222)					
Tariff liberalization						0.0286				
						(0.196)				
Capital openness							−0.648**			−0.539**
							(−2.770)			(−2.308)
Schooling years								−0.192		
								(−0.956)		
ICT capital (%)									1.101	
									(0.586)	
Constant	0.875	4.964**	0.879	1.080	0.856	−1.864	1.904**	2.579	0.242	4.517**
	(1.197)	(2.323)	(1.161)	(0.933)	(0.749)	(−0.133)	(2.718)	(1.310)	(0.184)	(2.452)
Observations	16	16	16	16	16	16	16	15	16	16
R-squared	0.671	0.754	0.674	0.673	0.671	0.672	0.800	0.734	0.680	0.834

Notes: ICT = information and communication technology; SD = social democratic. *t*-statistics in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

Table 3 Determinants of inequality (1990–2005) (OLS)

	1	2	3	4	5	6	7	8	9	10
Variables	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality	Inequality
Corporatism	−0.318	−0.505	−0.341	−0.293	−0.152	−0.362	−0.426	−0.365	−0.333	−0.543
	(−1.043)	(−1.560)	(−1.053)	(−0.887)	(−0.365)	(−0.969)	(−1.306)	(−1.261)	(−0.947)	(−1.592)
Welfare state	−1.484***	−1.310***	−1.380**	−1.397**	−1.482***	−1.501***	−1.471***	−1.554***	−1.492***	−1.327***
	(−4.521)	(−3.838)	(−2.939)	(−2.947)	(−4.400)	(−4.300)	(−4.462)	(−4.959)	(−4.269)	(−3.757)
Employment rate		−0.0707								−0.0606
		(−1.389)								(−1.087)
SD government			−0.00714							
			(−0.324)							
Union density				−0.00612						
				(−0.264)						
Trade openness					−0.00808					
					(−0.600)					
Tariff liberalization						0.0929				
						(0.222)				
Capital openness							−0.908			−0.543
							(−0.957)			(−0.543)
Schooling years								−0.313		
								(−1.599)		
ICT capital (%)									−0.0651	
									(−0.0992)	
Constant	0.662	5.575	0.952	0.861	0.976	−8.207	2.923	3.697*	0.833	6.221
	(1.223)	(1.559)	(0.902)	(0.915)	(1.280)	(−0.205)	(1.206)	(1.881)	(0.460)	(1.607)
Observations	16	16	16	16	16	16	16	16	16	16
R-squared	0.690	0.733	0.693	0.692	0.699	0.691	0.712	0.744	0.690	0.740

Notes: ICT = information and communication technology; SD = social democratic. *t*-statistics in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

early period (1978–1989) was wage coordination, not tripartite policy-making. Apparently, wage coordination lost its ability to compress incomes in the later period (1990–2005). This finding may reflect changes in wage policies. In the first period, centralized collective bargaining often went hand in hand with explicit attempts by trade unions to reduce wage differentials, for example by demanding wage increases calculated as lump-sum amounts. In the second period, centralized bargaining did not try to reduce wage differentials any more and demands for wage increases were formulated as percentages of existing wage levels – that is, were distributionally-neutral (Baccaro and Locke 1998; Baccaro and Simoni 2007).

Table 4 examines the impact of corporatism on the wage share using the same approach. The wage share is *inter alia* an indicator of economic competitiveness, because it can be expressed as unit labor costs – that is, labor costs divided by labor productivity. An economy in which the wage share is declining is one in which wages are growing less than productivity, and the economy is gaining in competitiveness vis-à-vis international competitors. Although the regressions explain a much lower share of variation than the previous ones, they display an interesting reversal of patterns: while there is no association between corporatism and the wage share in the 1978–1989 period, an association emerges in the 1990–2005 one: the absolute value of the coefficient grows considerably in the second period and the negative sign is (weakly) statistically significant. This would imply that the more corporatist a system in 1990–2005, the *lower* the wage share and the greater the cost competitiveness of the country in question. The size of the welfare state is never significantly associated with the wage share.

Although these econometric results are more suggestive than conclusive given the choice to rely on cross-country regressions for two periods, they suggest a change in the political–economic effects of corporatist policy-making. The new corporatism is not simply less redistributive than in the previous period. It is also an institutional process as a result of which real wages grow systematically less than productivity increases. It should be noted that the contrast would probably be starker if the data had allowed a comparison between the 1970s and the 1990s, rather than between the 1980s and the 1990s. Indeed, according to all qualitative accounts, the 1970s and not the 1980s were the period in which corporatist policy-making pursued

Table 4 Impact of corporatism on the wage share (OLS)

	1978–1989	1990–2005
Variables	Wage share	Wage share
Corporatism	−0.393	−1.430*
	(−0.322)	(−1.914)
Welfare state	0.539	−0.132
	(0.658)	(−0.164)
Constant	63.85***	60.78***
	(33.01)	(45.80)
Observations	16	16
R-squared	0.032	0.259

Notes: t-statistics in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

redistribution most consistently (see, for example, Flanagan et al. 1983; Gourevitch et al. 1984; Lange et al. 1982).

So far, the analysis has been conducted at the level of statistical relationships among variables. While statistical analysis is important to uncover associations between macro-phenomena (or the lack thereof), it needs to be complemented by an exploration of the mechanisms through which the associations in question are produced (Elster 2007; Goldthorpe 2001, p. 3; Little 1991). The next section explores causal mechanisms through case studies of Ireland and Italy, the two countries in which, according to Table 1, corporatism increased the most. It focuses on origins, internal decision-making processes, and outcomes of corporatist policy-making around 1990 and beyond.

4 THE RESURGENCE OF CORPORATISM IN IRELAND AND ITALY

For many years, Ireland and Italy have been regarded by scholars as unlikely cases for corporatist policy-making.[12] In 1988, an Irish scholar wrote that 'the organizational and political conditions which would tend to be conducive to sustaining corporatist agreements were not well developed in Ireland' (Hardiman 1988, p. 3). In Italy, several attempts had been made in the late 1970s and early 1980s to introduce national-level corporatist pacts, but these attempts had been defeated by grassroots mobilizations of the metalworking unions and other industrial unions (Golden 1988; Lange and Vannicelli 1982). Not surprisingly, the country ranked constantly at or near the bottom of the various indices of corporatism.

In both countries the emergence of corporatism was in response to an external shock. When the first of eight 3-year 'social partnership' agreements (negotiated every 3 years) was signed in Ireland in 1987, the country was in the midst of a serious economic crisis. Public debt and deficit were skyrocketing, investment was stagnant, and, despite the high level of migration of Irish workers (particularly towards the UK), unemployment was on the rise (Government of Ireland 1987; NESC 1986). The government that initiated social partnership was a minority government of the Fianna Fail party, which held 48.8 percent of seats in the Irish lower chamber (Dáil). Additionally, the weakness of the Fianna Fail government was compounded by the party's own interclass nature, which made it difficult for the leadership to pass policy decisions that penalized the party's labor constituency (Hardiman 1988, pp. 200–204).

In Italy, the corporatist renaissance was spurred by a highly volatile political–economic environment in the early 1990s, characterized by the simultaneous occurrence of a serious financial crisis, which eventually pushed the Italian currency out of the European Monetary System (Vaciago 1993), and popular outrage at what the unfolding *clean hands* judicial investigation was uncovering about corruption practices within all the major political parties, particularly the Christian Democrats and the Socialists. The 1992 government that initiated the season of Italian corporatism (by negotiating the 1992 abolition of national wage indexation) was remarkably weak, even by national standards: it was supported by a coalition of four parties, among which the most important were the Christian Democrats and the Socialists, both overwhelmed by corruption scandals. It had a majority of only one seat in the Senate (Ginsborg 1998, p. 481). The government that followed in 1993 was a 'technical' government, composed of experts in their fields, and did not have a clear parliamentary majority.

12. This section draws on Baccaro (2003), Baccaro and Lim (2007), Baccaro and Simoni (2008; 2010) and on the sources cited therein.

In Ireland and Italy, the most important allies of these weak governments were labor unions. Sharing policy-making responsibility with the organizations representing those that were most likely to bear the brunt of policy changes, namely workers, helped to protect these weak governments from popular malcontent that may otherwise have led to their collapse.

Employer collaboration was less consistent. Irish employers' organizations were relatively happy with decentralized collective bargaining, which they had been keen to promote in the early 1980s (Hardiman 1988, pp. 200, 221, 236). It was only after social partnership became a clear success (that is, from the mid-1990s on) that the Irish employers became clear supporters, at least for some time. The attitude of Italian employers was also ambiguous. They agreed on the abolition of wage indexation in 1992 and the centralization of collective bargaining in 1993, but then withdrew from negotiations over pension reform in 1995 (Mascini 2000).

Getting the unions to collaborate with government was not without problems. Within the unions there were powerful forces which for ideological or interest-related reasons did not agree that a corporatist strategy was the way to go. In both countries, union confederations sought to overcome the internal opposition by relying on the legitimating power of democracy, especially in the early formative stages of social pacts. Workers were given binding power to decide through their vote whether or not they accepted the agreements. Because the majority of voters approved the proposed agreements, the union leaders could then sign them with full legitimacy.

In Ireland the first centralized pact, the *Programme for National Recovery* (PNR), was the most politically contested of the series. The government sought to engineer an export-led recovery based on wage moderation and modest cuts in public expenditures. The employers' associations shared the government goals but were concerned that centralized bargaining would fail to deliver wage restraint. The unions were internally divided. The leaders of the Irish Confederation of Trade Unions (ICTU) were favorable: they were concerned that government might respond to the economic crisis in Thatcher style with an all-out attack on labor unions and therefore looked favorably at the opportunity to sign a social pact which would allow them to be directly involved in economic adjustment.

However, some of the affiliated unions had mixed feelings. Craft unions representing skilled workers in the private sector were persuaded that decentralized bargaining would be a better option for them. Among the general unions, the two largest – ITGWU and the FWUI – supported the national agreement because they believed that many of their semi-skilled members would fare poorly in decentralized bargaining. The third-largest general union, the ATGWU (with headquarters in Britain) was adamantly opposed. The reasons are not clear and may have something to do with the British unions' reluctance to share regulatory prerogatives with government. Public sector unions generally favored the agreement. They were afraid they would fare especially poorly in free-for-all bargaining given the government's emphasis on cutting public expenditures.

Aware of the controversial status of the proposed PNR pact, the ICTU engaged in a highly proceduralized decision-making process, which relied on very similar electoral rules to those used to elect the American president: if 50 percent plus one voters in a union chose to support endorsement or rejection of the PNR agreement, all the delegates of that union then voted for the majority option in a national convention especially summoned. A plurality of the 56 unions attending the special conference on PNR voted against the agreement. The largest unions conducted ballots to decide how to allocate their votes. The ITGWU, the largest union of all, had 48 delegates and its votes were crucial. It ran a ballot of its members in which the PNR was approved by only 400 votes. This small margin was, however, decisive. As a result of the ITGWU vote, the union convention approved the PNR agreement with 181 votes to 114.

In Italy, too, the unions' decision to engage in centralized bargaining was highly controversial, and the unions relied heavily on organizational referenda to mobilize consensus among the workers. The abolition of wage indexation in 1992 was deemed necessary by government to restore confidence in the national currency. The employers, too, saw it as important to reduce inflation. For some unions, it was an inevitable step to take in a deep economic crisis. However, other unions, those (like the metalworkers) that had the longest tradition of wage militancy, regarded it as a form of betrayal of the workers' interests.

The 1992 tripartite agreement provoked a major crisis in the unions, especially within the largest confederation, the CGIL. In the fall of 1992, numerous factory councils mobilized against the abolition of the popular wage indexation mechanism (*scala mobile*). Interestingly, protesters focused just as much on the content of the agreement (which they rejected) as on the decision-making process. Because the agreement had not been preceded by a consultation among the workers affected, they claimed it was illegitimate and unrepresentative of the workers' will.

Italian union leaders drew the lesson that potentially unpopular agreements needed to be democratically legitimated prior to implementation: the 1993 agreement, which confirmed the 1992 abolition of wage indexation, was preceded by a binding referendum among the workers – a first in the history of the Italian labor movement. Remembering the grassroots mobilizations that had taken place 1 year earlier, the confederation leaders asked for and obtained from their bargaining counterparts sufficient time to organize a ballot among the rank-and-file workers. Although the tentative agreement between government, employers, and union leaders was reached on July 3, 1993, the actual agreement was not signed until July 23. In the intervening 20 days, the confederation unions set up approximately 30 000 assemblies in the country's major plants and offices to explain the agreement. About 1.5 million workers participated in the vote and 68 percent of them approved the agreement.

The dissenting groups did not openly mobilize against the 1993 agreement because the agreement contained two important procedural changes. First, it institutionalized the regular election of workplace representatives. Second, it was followed by a binding consultation among the workers. Although they clearly frowned on the agreement's content, the dissident groups concentrated their energies not on organizing grassroots protest but rather on dissuading the workers in the assemblies from approving the agreement.

An important difference between the Irish and Italian cases was in the scope and breadth of the centralized agreements. In Ireland, social partnership agreements covered all major policy-making issues simultaneously. In Italy, there was instead a succession of single-issue deals: on the abolition of wage indexation (1992), on collective bargaining structure (1993), on pension reform (1995), on labor market flexibility (1996), on the reform on employment protection (2001), etc. Another important difference was in the type of exchange involved. While in Ireland there was a *quid pro quo* between wage moderation and lower personal income tax rates, in Italy no such exchange was present due to government's fiscal constraints. The main reward for the Italian unions was participation in policy-making itself (Molina and Rhodes 2002).

In contrast to earlier experiences of bargaining centralization, centralized wage negotiations did not have a redistributive intent. In Ireland and Italy, wage increases were set as a percentage of previous wages and not as lump sums, which would have favored those on lower pay (Baccaro and Simoni 2007). In Italy, the 1992 abolition of wage indexation eliminated an automatic mechanism which by increasing wages by a lump sum for each percentage increase in the consumer price index, automatically compressed wage differentials (Erickson and Ichino 1995).

In Ireland, trade unions did not gain a more favorable recognition process as a result of their participation in policy-making. No statutory recognition procedures were introduced, and union recognition remained purely voluntary for employers (D'Art and Turner 2003). In fact, the Irish unions experienced a dramatic decline in density: from 53 percent in 1987 to 35 percent in 2007 (32 percent according to survey-based data) (Walsh and Strobl 2009).

In addition, the Irish unions were unable to use the social partnership format to move the Irish welfare state away from its liberal, 'residualist' tradition characterized by heavy reliance on means-tested provisions and flat subsistence rates (Cousins 1995; Esping-Andersen 1990). Public social expenditures as a percentage of GDP declined from 21 percent in 1987 to 16.7 percent in 2005 (OECD various years). As part of the social partnership model, a model of 'developmental welfare state' was elaborated. This was supposed to reconcile the imperative of economic competitiveness (deemed vital for a small open economy) with the need for a social safety net (NESC 2005). With its emphasis on activation and human capital development, the Irish model drew inspiration from the Danish and Dutch systems of flexicurity (Auer and Cazes 2003; Wilthagen 1998), with one important difference: unemployment insurance replacement rates were much lower in the Irish than in the Danish and Dutch cases (24 percent vs about 90 percent) (Kirby 2008; Murphy 2007).

Thus, the Irish social partnership became the lynchpin of a very different regulatory model from the social corporatist model of the past (Pekkarinen et al. 1992), one which was nonetheless remarkably economically successful, at least until 2008. This new model focused on making the country attractive for mobile international capital and on strengthening the cost competitiveness of exports by systematically reducing unit labor costs. This model began to pay off from the mid-1990s on, and led to increased investments, economic growth, and lower unemployment, turning a former economic basket case into a 'Celtic Tiger.'

In Italy, corporatism was essentially an exercise in macro-concessionary bargaining: in each of the corporatist pacts, the unions made concessions and received in exchange the right to stave off even worse outcomes for them. Following the 1992 abolition of wage indexation and the 1993 accord on collective bargaining structure, in 1995 government and unions (but not the employers) negotiated a comprehensive reform of the pension system, which reduced pension benefits in the long run by making them proportional to accumulated contributions. In 1996, the tripartite 'Pact for Labor' introduced a relaxation of the rules regulating flexible and contingent forms of labor.

Despite substantial wage restraint and repeated reforms of both welfare state and labor market regulation, Italy's economic performance was considerably less remarkable than the Irish one. In fact, it lagged behind virtually all other advanced countries. Clearly some historic weaknesses of the Italian economy played an important role in the economic decline, for example low investments in R&D, prevalence of small firms, inefficient public services. However, it may be argued that by letting unit wage costs fall (at least until the 1990s) and by encouraging firms to entertain the idea that they could still be able to be internationally competitive by taking the low road, wage bargaining and corporatist policy-making failed to act as 'beneficial constraints' for firms and reduced incentives for managers and entrepreneurs to upgrade and reorganize their companies (Streeck 1997).

5 THE CORPORATIST RENAISSANCE AS ADAPTATION TO A NEOLIBERAL REGIME

The case studies of Ireland and Italy have illustrated the context in which the corporatist renaissance of the 1990s took place: that of governments struggling to adjust their national economies to new and more stringent macroeconomic conditions. The policy response included not just wage moderation, as in the old days, but also fiscal rectitude (implying a 'rationalization' of the public sector), labor market liberalization, and welfare state restructuring. These reforms were often highly unpopular. They reduced benefits, tightened eligibility conditions, and shifted risks from the state or employers to workers and citizens. Not all governments had the institutional resources or political will necessary to drive them through, due to limited parliamentary strength or volatile electoral competition. Some governments, like the Irish and Italian ones, found that corporatist pacts with the unions were a convenient way to facilitate the process of policy reform and therefore eagerly embraced them (Baccaro and Simoni 2008; Hamann and Kelly 2007). Thus corporatist policy-making became one of the conduits, though by no means the only one, through which neoliberal policies made their way into the institutionally-dense political economies of some European countries (Rhodes 1996; 2001; Streeck 2000; 2006).

Centralized control of wage dynamics remained solidly at the core of the new corporatist pacts. However, the goal of these pacts was no longer only disinflation, as in the corporatist golden age, because the nominal control of wages was no longer a pressing problem and could be kept at bay through restrictive monetary policies implemented by independent central banks. Instead, the key goal was real wage containment. In an environment of fixed exchanges rates, and a fortiori in a system characterized by a single European currency, keeping real wage growth below productivity growth was tantamount to real exchange rate devaluation: it bolstered the cost competitiveness of the national economy (Baccaro and Simoni 2010).

Issues of welfare and labor market reforms also featured prominently in the corporatist agreements of the 1990s and 2000s. In some cases there were deals between governments and unions as opposed to tripartite deals. In fact, the employers could often afford to sit by the sidelines and, if the opportunity arose, ask for more. Not all governments sought out union cooperation on these matters, and not all unions agreed to provide it. Also, even within the same country, not all policy reforms were negotiated; some were passed unilaterally (Regini 2000).

Given the types of policies that were negotiated in the new corporatist pacts, it is not surprising that the outcomes of the new corporatism were much less egalitarian than in the past. Policies of wage egalitarianism all but disappeared. Political exchange as *quid pro quo* between wage moderation and more generous social protection (Glyn and Rowthorn 1988; Mares 2006) also disappeared as the public budgets of most governments were too cash-constrained to allow for significant side payments. Where political exchange continued to be practiced (for example, in Ireland and Finland), it traded wage moderation for tax reductions – that is, it targeted not public consumption as in the earlier incarnation of corporatism, but private consumption.

As the price for their collaboration, unions demanded and often managed to obtain the ability to protect themselves as institutions, or at least to limit the damage. This implied that the unions' main constituency – aging (male) workers – was less affected by retrenchment and liberalization, but at the expense of pushing the costs onto other categories, such as younger workers and workers on contingent jobs. So, for example, the Italian pension reform (negotiated with the unions) involved generous grandfathering rules which shifted most of the costs of reform onto the younger generations (Aprile 1996; Castellino 1996; Ferrera and Jessoula 2007; OECD 2007; Schludi 2003). Labor-market reforms left levels of job protection virtually unchanged for workers on unlimited duration contracts while liberalizing all other forms of contingent work, thus contributing to labor market dualisms (Baccaro and Simoni 2004; Boeri and Garibaldi 2007; Ichino 1996; OECD 1999). As a result of these developments, the new corporatism began to be perceived in some quarters, including left-of-center, not just as distributionally-neutral but as positively anti-egalitarian, namely as an institutional device which defends the privileges of labor market insiders at the expense of outsiders (AAVV 2002; Alesina and Giavazzi 2006; Boeri and Galasso 2007; Rueda 2005).

The withering away of political exchange and side payments helps to make sense of some prima facie counter-intuitive changes in the organizational structure of the new corporatism and especially the growing reliance on democratic decision-making procedures within trade unions. As illustrated earlier in the paper, in Ireland and Italy labor unions relied on worker consultations to mobilize consensus among the rank-and-file. Prior to signing the agreements they organized workplace assemblies and worker referenda, and committed themselves to abide by the outcomes of majority voting.

This activated two mechanisms, one purely aggregative and the other with a transformative effect on preferences. The adoption of formal voting procedures (aggregative mechanism) altered the internal political game between moderate and radical factions within labor unions. A 'logic of mobilization' – one in which the faction that is better able to mobilize workers in strikes prevails (Pizzorno 1978a) – was replaced by an electoral 'logic of representation,' in which the faction that is able to mobilize the largest number of votes dictates the line of the confederation. Because the principle 'one head, one vote' abstracts from consideration of preference intensity and only considers the sign (positive or negative) of preferences, workers with very intense preferences – that is, ready to mobilize in support of their claims – found themselves having exactly the same impact on collective choices as other, less strike-prone (but more numerous) workers (Dahl 1956).

Additionally, there is also some evidence that democratic procedures did not just aggregate predefined preferences but contributed to shaping them as well. The vote was preceded by workplace assemblies in which leaders used various arguments, mostly pragmatic but also ethical/moral, to explain why particular decisions were worth taking, and then debated with workers the appropriateness of the particular solutions proposed.

A companion study examines the democratic process around the Italian pension reform using both case studies of matched industrial plants and micro data from a nationally-representative sample of workers and pensioners both participating and non-participating in the democratic process (Baccaro 2014). It suggests that even with a highly salient issue, about 30 percent of workers were uncertain about the options at stake. They formed their preferences during the ratification process. Leaders seem to have been able to convince a non-negligible proportion of voters (estimated to be 10–15 percent) that pension reform was in their 'best interests' by using the force of argument and persuasion (Habermas 1984).

In brief, the new corporatist institutions have normatively more attractive internal organizational features than their predecessors. However, these organizational transformations have emerged to compensate for the less favorable terms of the political exchange between governments and unions. Side payments have been much less available than in the past. Consequently, labor unions have felt a greater need to invest in democratic mechanisms of legitimation.

6 CONCLUDING REMARKS

This paper has argued that, contrary to predictions, corporatist policy-making did not die but transformed. The corporatism that re-emerged in the 1990s and 2000s shared similar institutional structures with the old – wage bargaining was highly coordinated and interest groups were systematically involved in public policy formulation – but had very different outcomes. In particular, it was much less focused on redistribution and much more on wage competitiveness (Rhodes 1998). It no longer provided a fundamental alternative to mainstream liberal capitalism. If anything, it helped politically vulnerable governments to adjust to it.

By portraying neoliberalism as a force which leaves national governments some room for choice as regards the *means* used to adapt to it, but with little to no choice when it comes to the ultimate *ends* (see also Streeck 2009), the argument of this paper runs against the grain of much institutionalist literature in comparative political economy. A common theme of this literature is that international economic pressures are refracted by national institutional sets in unique ways such that there is no underlying trend towards convergence across countries (Berger and Dore 1996; Campbell 2004; Garrett 1998; Hall and Soskice 2001; Schmidt 2002).

This paper does not deny that there is still a great deal of institutional heterogeneity across the capitalist economies, and that countries relying on corporatist institutions are still very different from countries relying predominantly on markets for coordination. However the fact that no common institutional form is emerging does not necessarily imply that there is also no convergence in institutional functioning and outcomes across countries. Indeed it may be argued that an excessive focus on institutional form may blind observers to the homogenizing forces which are causing different institutions to function in similar ways and produce broadly similar outcomes (Baccaro and Howell 2011).

The new corporatism seems unable to reduce economic inequality as it once did. In addition, it seems capable of producing new outcomes, such as wages growth systematically trailing productivity increases, which the market per se would not be able to produce and which are nonetheless fully compatible with a neoliberal policy framework.

All of this suggests that corporatist institutions, and possibly economic institutions in general, structure interactions among actors but do not directly dictate outcomes. Outcomes are the result of the strategies of the actors operating within and around institutions and of their bargaining power, which in turn is shaped by the context, including international, in which the bargain takes place. Therefore, an analysis focusing on differences in institutional form seems of limited utility in explaining the trajectory of capitalist economies unless it is complemented by a parallel analysis of the force field in which institutions are embedded.

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APPENDIX: DATA

Inequality

Time-span: 1978–2005

Construction of the variable: first principal component of Gini coefficient, d9/d1 decile ratio, d9/d5 ratio, d5/d1 ratio, relative poverty rate (threshold of 40 percent of median income). All indicators are relative to post-tax post-transfer household income.

Factor loadings: inequality = 0.45gini + 0.47d9d1 + 0.43d9d5 + 0.45d5d1 + 0.43poverty.

Source of data: Luxembourg Income Study (LIS) data on inequality publicly available at: http://www.lisproject.org/key-figures/kf-workbook.xls (accessed April 8, 2010).

Note: The LIS data are top- and bottom-coded to eliminate the extreme portions of the income distribution, where measurement error is more likely. Also, the household is 'equivalized' (that is, divided by the square root of family size) to account for possible economies of scale within the household.

Wage share

Time-span: 1974–2005

Source: Adjusted wage share, Ameco database, available at: http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm (accessed April 7, 2010).

Corporatism

Time-span: 1974–2005

Construction of the variable:

(tripartite policy-making index + wage bargaining coordination index)/2

1 Tripartite policy-making index

Based on Lucio Baccaro and John-Paul Ferguson's coding of monthly articles from the *European Industrial Relations Review* for Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, and the UK.

Based on the Visser (2009) database (various variables) for Australia, Canada, and the US. The coding of these countries is straightforward because, with the exception of Australia in the age of the Accord (1983–1992), they have no experience with tripartite policy-making.

Coding rules: for each country, year, and month:

Tripartism = 0 if there is no pact in place

Tripartism = 1 if there is a pact in place on (labor market OR welfare issues)

Tripartism = 2 if there is a pact in place on (labor market AND welfare issues) OR a national tripartite pact on wages

Tripartism = 3 if there is a pact in place on (wages AND welfare issues) OR (wages and labor market issues)

Tripartism = 4 if there is a pact in place on (wages AND welfare AND labor market issues)

The following weights are used:

1 if (ALL unions AND ALL employer organizations) have signed the pact

0.75 if (ALL unions AND SOME employer organizations) OR (SOME unions AND ALL employer organizations) have signed the pact

0.5 if (SOME unions AND SOME employer organizations) OR (ALL unions) OR (ALL employer associations) have signed the pact

0.25 if (SOME unions OR SOME employer associations) have signed the pact

Monthly scores are averaged on an annual basis.

2 Wage bargaining coordination index

Index of collective bargaining coordination elaborate by Lane Kenworthy (2003) and updated to 2005 by the author. The index is coded as follows:

0 = Fragmented wage bargaining, confined largely to individual firms or plants.

1 = Mixed industry- and firm-level bargaining, with little or no pattern-setting and relatively weak elements of government coordination such as setting of basic pay rate or wage indexation.

2 = Industry-level bargaining with somewhat irregular and uncertain pattern-setting and only moderate union concentration.

3 = Centralized bargaining by peak confederation(s) OR government imposition of a wage schedule/freeze, without a peace obligation OR informal centralization of industry- and firm-level bargaining by peak associations OR extensive, regularized pattern-setting coupled with a high degree of union concentration.

4 = Centralized bargaining by peak confederation(s) OR government imposition of a wage schedule/freeze, with a peace obligation OR informal centralization of industry-level bargaining by a powerful, monopolistic union confederation.

Size of the welfare state

First principal component of social expenditures and taxes.

Factor loadings: welfare_state_size = 0. 71social_expenditures + 0.71 taxes.

Sources: (1) OECD, Social Expenditure Database, Total Public Social Expenditures as % of GDP, coverage: 1980–2005; (2) OECD, Total Tax Revenue as % of GDP, coverage 1974–2005.

Employment rate

Source: OECD, Civil Employment as % of Population Aged 15–64, coverage: 1974–2005.

Social democratic government

Source: Armingeon et al. (2009), variable gov_left: social-democratic and other left parties in percentage of total cabinet posts, coverage: 1974–2005.

Union density

Source: Visser (2009), variable: UD, coverage: 1974–2005.

Trade openness

Imports + exports as % of GDP, coverage: 1980–2005.

Source: Courtesy of Patrick Hettinger and Subir Lall of the IMF Secretariat (see IMF 2007).

Trade liberalization

100 – Tariff Rate, coverage: 1980–2005.

Source: Courtesy of Patrick Hettinger and Subir Lall of the IMF Secretariat (see IMF 2007).

Capital opennness

Chinn and Ito's (2008) index of capital openness, coverage: 1974–2005.

Schooling years

Barro and Lee's (2000) estimates of the average number of schooling years in the population aged 15+, coverage 1974–2000, extrapolated to 2005.

ICT capital

Stock of ICT capital to total capital, coverage: 1980–2003.

Source: Courtesy of Patrick Hettinger and Subir Lall of the IMF Secretariat (see IMF 2007).