

PerOla Öberg and Torsten Svensson (eds)

Power and institutions in industrial relation regimes

Political science perspectives on the transition of the Swedish model

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Foreword

Lars Magnusson, Professor of Economic History and Programme Director

The project ‘The Swedish model in Transition’ was launched by Sweden’s National Institute for Working Life in collaboration with the Faculty of Social Sciences at Uppsala University in 1996. During its first phase, it was mainly a research school for approximately fifteen doctoral students and a small number of post-doctoral researchers. The overall aim of the programme was to strengthen Swedish research within the field of working life and the labour market. It was initially conceived as a cross-disciplinary programme, and encompassed scholars and students from a wide range of social science disciplines. When, two years ago, the programme was renewed – under the perhaps more prosaic name ‘The Programme for Labour Market and Industrial Relations Research’ – its post-doctoral character was strengthened. It now includes three senior researchers and two post-doctoral researchers as well as three doctoral students in political science and economic history. So far, the programme has generated more than a dozen doctoral dissertations and a large number of publications. Over the years, an annual seminar has been held, which has contributed to the strengthening of working life and labour market research in the Faculty of Social Sciences at Uppsala University.

The general idea underlying the research initiative was to explore recent developments on the Swedish labour market and its system of industrial relations – the frequently discussed ‘Swedish model’. We wanted to know whether there is any truth in the often alleged notion of the demise of this renowned, but seldom precisely formulated, model. We asked whether the Swedish labour market today has any fundamentally different traits than previously. If so, how have the changes affected the industrial relations system, ie relations between the social partners? Like most other research, ours may not so far have provided final answers to questions of this kind. However, we have been able, at least in part, to present a much richer picture. To this extent, we have contributed to greater understanding of the process of change in Sweden that originated with the severe unemployment crisis of the early 1990s and continues today. The Swedish labour market is currently characterised by problems that originate from the intensification of international market competition, which include a higher rate of unemployment and market mismatches. The general business environment of today is, at least in certain aspects, radically different from the heyday of the Swedish model. Also, institutional change has influenced the workings of the industrial relations system (where the withdrawal of the central employer organisation from

organised collaboration within the old tripartite system has been pivotal), of the labour market, and of the welfare sector. However, it is still too early to say that we are witnessing the demise of the Swedish model. Undoubtedly, there is much change, but there is also much resistance to change and continuation of the processes of path dependency.

This volume consists of a set of essays written by political scientists who have been involved in the programme as doctoral students or post-doctoral researchers, and attempts to present some of the contributions and insights gained so far. It will be followed by a second volume presenting the research findings of the economic historians and economists involved. The aims of the current publication are to provide better understanding of recent developments on the Swedish labour market and to stimulate further research and discussion on this topic. It is my sincere contention that our joint research efforts have generated many new empirical and theoretical results, which may promote the development of a more cross-disciplinary approach to labour market and industrial relations research. To the extent that we have succeeded in this, the great deal of work put in by so many within the framework of the programme has been worth its while.

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Chapter 1.

Power over, within and through institutions

Torsten Svensson and PerOla Öberg

Power is often in focus in investigations undertaken from a political science perspective. As contributions to this book show, this is also the case when political scientists study the labour market. The outcomes of power struggles are, of course, dependent on ‘the rules of the game’, or what is now usually called the *design of institutions*. This volume considers struggles over institutional design, how conflicts and cooperation occur within institutions, and how some institutions may disable or enable actors within industrial relations regimes.

Power over institutions: wage negotiation, equality and corporatism

There has been a renewed interest in institutions since the 1980s, within both social science in general and political science in particular. In most studies, institutional differences are used as an *explanation* for some variation of interest to the researcher. Expressions such as ‘institutions matter’ or ‘rediscovering institutions’ are frequently employed to insist on the importance of political or economic arrangements as determinants of behaviours and various social phenomena (Rothstein, 1998, p. 139ff). The same trend is evident among economists, where we find a growing interest in the effects of political institutions on economic policy and public finance, thus enabling talk of a ‘new political economy’ (Persson, 2002; Persson et al., 2000; Gilles, 2000). Within the sphere of industrial relations, such development is reflected in a growing body of literature concerned with the importance of bargaining systems. Most studies in this arena take institutions as given, and focus on variation on one or another measure of welfare. The discussion emanating from Calmfors’ and Driffill’s (1988) study of the effects of unemployment and inflation provides a good example.

Such endeavour seems to be both reasonable and fruitful. Institutions are, by definition, enduring entities that demarcate, restrict and enable human action. Therefore, the existence of a certain institution can have tremendous implications for the behaviours of the actors concerned, and also has great social, economic and political effects.

But, at the same time, even though institutions are stable, they are chosen by humans in the first instance; they exist only for so long as they are accepted by the majority, and they *do* change from time to time. From a rationalistic perspective, it is obvious that agents prefer rules that favour their interests, and therefore

try to change the rules accordingly. We can talk about institutional design, which puts power at the centre of analysis. As Rothstein (1998, p. 153) puts it, ‘powerful agents will try ... to change “the rules of the game” in ways which they believe will serve their interests in retaining and extending that power’. Thus, whether agents, in line with their interests, choose to stick to an existing institution or try to change it can be explained by their capacity and willingness to do so.

Analysis from another perspective regards the remarkable stability of institutions as proof of *path dependency*. The most powerful explanation of an institution lies in earlier choices, rather than in rational actors’ deliberations over costs and benefits. The interests of actors are not exogenous to institutions; rather, actors define their views on who they are and what they want *within* existing institutions. As soon as an institution has come into existence, it seems to be self-reinforcing in that it influences the interests and preferences of the actors involved: ‘the probability of one outcome rather than another ... increases with each “step down the path” after an initial event’ (Wood, 2001, p. 375). So, even if the reason for setting up an institution in the first place has gone, there is a strong tendency for the institution to endure.

Three contributions to this volume – Lindgren in Chapter 2, Bergqvist in Chapter 3, and Johansson in Chapter 4 – focus on the crucial question of institutional change within the sphere of industrial relations, and also confront the above-mentioned perspectives on how this can be explained.

In Chapter 2, *Explaining wage coordination*, Karl-Oskar Lindgren poses the fundamental question of why wage bargaining is coordinated in some countries but not in others. He carries out his analysis on data for 20 OECD countries over the period 1970-1998. Coordination within wage bargaining is, on this analysis, identical to voluntarily arranged wage synchronisation, in that it takes the form of centralised or pattern-setting bargaining. Lindgren tests three different hypotheses, of which the first two are neatly derived from an iterated prisoner’s dilemma game model. First, can coordination be explained by what is called *ability* to enforce agreements? Second, can it be explained by incentives to coordinate, referred to as factors that enhance *willingness*? Third, can national variation be explained by previous choices? Are the institutions first and foremost *path dependent*?

Lindgren shows convincingly, and rather surprisingly, that path dependency does not have the importance widely ascribed to it. Unlike most case studies that emphasise the significance of sticky institutions, Lindgren is able to distinguish between country specific factors in general and past experiences proper. But, however he measures path dependency – by most recent choice, by full history of choices, or by recent continuous duration of coordination or non-coordination – the factor performs badly. With regard to ability and willingness, the results are somewhat mixed. Both are important determinants in general, but only some of

the included factors show significant associations. From looking closer at the various factors, it becomes clear that coordination is linked to the factors that enhance union strength. There is coordination where unions are concentrated, where union density is high, where there is a peace obligation, and where countries have high trade openness. Generally speaking, rationalist accounts of institutional design, which emphasise actors' powers, are far more promising as explanations than their sociological counterparts.

Further, following the logic of institutional complementarity and increasing return, the existence of institutions within one sphere seems to strengthen the possibility of complementary institutions in other spheres. Accordingly, it is possible differentially to cluster countries along dimensions that distinguish coordinated from liberal market economies. However sticky, they are still human constructions. Over time, institutions and human actors interact and shape the political landscape in distinct ways. Political struggle, followed by the creation of new political institutions, reinforces and empowers certain social and political forces, which then obtain political weight as time goes by. This is clearly shown in Chapter 3, *Gender equality politics: ideas and strategies*, where Christina Bergqvist explains the development of the distinct, so-called 'social democratic model' of gender equality in Sweden.

In the Nordic welfare model the basic household unit is the individual, rather than the family as is traditional in continental Europe. Rejecting the male-breadwinner norm, the Swedish model is based on the idea that both women and men are full members of the labour force, and also share responsibility for domestic tasks. The Swedish gender equality model can be traced back to the 1970s when three crucial reforms were introduced, concerning individual taxation, public childcare expansion, and gender-neutral parental leave insurance.

In other comparative studies of this phenomenon, it has been argued that Sweden has acquired a women-friendly policy without feminists. That prevailing policies benefit women is looked upon as a byproduct of general welfare and economic policies, which are the product of an extraordinarily strong working class in political power. However, by contrast with the explanations that emphasise class structure and social democratic power, Bergqvist convincingly demonstrates the importance of the mobilisation of women's organisations, especially within the Swedish Parliament, as a driving force. She focuses particularly on the political development of parental leave insurance, from the 1970s when the reform was introduced to the late 1990s when the so-called 'daddy month' (where a part of the insurance became strictly coupled to the father) came into force. At all stages, women played crucial roles in debates and behind proposals, within parties in general and in the Social Democratic Party in particular, and as ministers and on parliamentary committees. However, in the debate over the 'daddy month', the Liberal Party and feminist men came to play a more prominent role. The key institutional factor was the extraordinarily high representation

of women in the political parties and in the parliament, which offered an important platform for women's political action. The exceptionally strong political position of women was crucial to implementing the reforms. Hence, in alliance with empathetic and influential men, women managed to change the rules of the game, ie to design new institutions.

Of particular institutional importance for Swedish politics has been the corporatist system. This has entailed arrangements whereby labour market actors have been important participants in political decision-making. In this respect, Sweden has been a role model for social dialogue over most of the 20th century. In the early 1900s, union leaders and leaders of the powerful Swedish employers' organisation were appointed as members of the government agency boards that handled 'the labour question'. From then on, representatives of the social partners became, by default, members of all important government agency boards (Rothstein, 1992). Hence, public policy in Sweden was the result of compromises, to a large extent involving the social partners, and governance of the Swedish labour market was exclusively left to them. Industrial relations have been predominantly regulated by collective agreements between unions and employers. Basic labour laws have been prepared in social dialogue within national government commissions. Further, these laws have been implemented within the confines of an elaborate social dialogue held in the shadow of the Swedish Labour Court, where the social partners appoint a majority of judges. For many years, researchers, politicians and the social partners agreed that such highly institutionalised dialogue mitigated conflicts, and that the consensus emanating from the process was efficient for Swedish enterprise and society.

In recent decades, however, the social dialogue has come under severe strain. Most importantly, the employers' organisation, dissatisfied with the outcome of the dialogue, withdrew all its representatives from government agency boards. This prompted the Swedish Government totally to decorporatise the boards, eventually leading the unions also to lose their seats on them.

In Chapter 4, *Undermining corporatism*, Joakim Johansson examines whether the decision by the Swedish Confederation of Employers (SAF) unilaterally to withdraw from government agency boards was nothing but a passive reaction to changes in the organisation's political environment (as some have claimed), or whether it was a well-considered and far-sighted decision to change prevailing power relations in Swedish politics. Based on unique private archives and interviews, he shows convincingly that persons within SAF acted *extremely* rationally (see his doctoral thesis for further evidence). In fact, they acted almost as the ideal-typical rational man, who – after decades of attacks from researchers with a non-rational perspective – is often, and defensively, regarded as 'straw man'. SAF analysed the state of affairs, defined a strategic far-sighted goal, considered several alternative means, pondered upon their opponents' conceivable counter-reactions, and finally *acted* on the basis of these considerations. The organi-

sation's actions were designed to change the prevailing 'rules of the game' in order to strengthen its power, especially vis-à-vis the unions. In terms of content, SAF came to the conclusion that the government agency boards were important centres of power. However, their own organisation did not gain anything from participating; they were 'hostages to fortune' within the system, and – albeit unintentionally – legitimised policies of which they did not approve. Consequently, persons within the organisation became convinced that organised employers would gain more by lobbying from outside than being within the system, and succeeded in pushing the organisation in that direction.

The decision to decorporatise the government agencies was, at least symbolically, a very important element in the transition of the Swedish model. But, there have been other important changes as well. The wage negotiation system has changed from being highly centralised to one that is less centralised, although still coordinated. Even the widely supported Labour Court has been criticised, and proposals have been raised in political debate that the social partners should no longer be entitled to appoint judges. Such changes and proposed changes raise a lot of questions that have to be answered elsewhere. Is there still a social dialogue in Sweden? Is what remains of the dialogue deliberative or confrontational? What are the effects on consensus and trust between the social partners in forthcoming situations? We have some preliminary answers. Formal participation in government agency boards has declined, but the social partners still participate in public policy-making to a considerable extent (Hermansson et al., 1999; Svensson and Öberg, 2002). Dialogue within government agency boards used to have the character of rational deliberation (Öberg, 2002). Nowadays, decorporatised agencies are still regarded as the most deliberative actors, but the social partners do not think that their opponents listen to and reflect on each others' arguments to the same extent as previously (Öberg and Svensson, 2002). Much more research is needed to understand how the current Swedish model is working? But, how exclusively Swedish is the model? Indeed, in times of European harmonisation, is it still a distinguishable model?

Power within institutions: cleavages and coordination

To understand Swedish politics, particularly the development of the Swedish welfare system over the last century, account has to be taken of the profound cleavage between business and wage earners. Both capitalists and workers have been encompassed by centralised, cohesive interest organisations, which has generated deep conflicts in society, but also made trustworthy compromises possible. The impact of this has not been on labour market politics alone. Business and liberal/conservative parties on the one hand, and wage earners and social democrats on the other, have constituted two antagonistic alliances for more than a hundred years. Ever since the antagonism between these two forces

developed, it has totally dominated Swedish political life. The main issues in political debate have been connected with disputes over the regulation of private enterprise, and the electorate has – more distinctly than in most other countries – been arrayed on a single left-right continuum (Lewin, 1967; Oscarsson, 1998).

A major change in this respect would, of course, bring about thoroughgoing changes in Swedish politics. If new cleavages were to overshadow the old, we would see alliances between former contenders; further, historical compromises between antagonistic but predictable organisations would be less solid or even dissolve. Hence, it is important to obtain in-depth knowledge of the development of political cleavages, especially between business and wage earners, not only to be able to understand Sweden's political history but also to be prepared to meet possible changes in the future.

Is there any reason to believe that change is on its way? Yes, this seems to be the case. As Kåre Vernby shows in Chapter 5, *Classes, sectors and political cleavages*, several influential students of European and Swedish politics have argued that the cohesiveness of business and union interests has been overestimated, and that other cleavages, which cut across class lines, are at least as important as the one that divides business and wage earners. However, such propositions have not so far received reliable empirical support. From other studies, we know for certain, when it comes to voters' perceptions of distances between the Swedish political parties, that the most important dimension by far is still left-right, although this has decreased somewhat over the last 20 years (Oscarsson, 1998). But voters' perceptions of political space might lag behind the actual development of relationships between the parties to the labour market. This makes Vernby's contribution both interesting and important.

On the basis of a unique dataset, assembled by the author himself, which covers the positions of the most important organisations on the Swedish labour market with regard to a great number of issues, Vernby is able to show that cleavages between the current actors on the labour market may be described on just two dimensions. The most important is still the old one between business and unions. Hence, the political positions of actors on the labour market in Sweden are still largely explained by reference to the social classes they represent. But there is also a significant dimension that represents a cleavage between organisations belonging to the exposed and sheltered sectors (industry and services, respectively). There are certain issues that clearly cut across class lines, where cross-class alliances are possible and indeed already existent.

Vernby's conclusions may be interpreted in two ways. *On the one hand*, they indicate that we should not place too much stress on change. As long as there is a clear division on important issues between organised business and unions, there is no reason to expect any transformation in the relations of power within or between confederations. Indeed, Vernby's results may be yet another indication that the peak organisations in Sweden are still very powerful (cf Chapter 6). *On*

the other, we have to be careful not to over-emphasise stability. Although the old cleavage still dominates politics in the industrial relations sphere, there is a significant dimension uniting organised business and unions in the industrial sector, whereas there are cross-class alliances between organisations in the service sector. If the strength of these alliances is growing over time, we might well see some radical changes in Swedish politics in the future.

Hence, how actors within an industrial relations regime coordinate their contending interests, in alliances or in less formalised cooperation, is decisive to the outcome of power struggles. But, despite the growing literature on the coordination of economic actors in research on *political economy*, it is very seldom specified how such coordination works. Svensson and Öberg make a contribution to remedying this deficiency in Chapter 6, entitled *Power and trust: the mechanisms of cooperation*.

A well-organised economy is crucial to all nations' wealth and welfare, which means that actors in the economy must be able to handle conflicting interests without too high a cost. Numerous institutions are at hand to manage this. These institutions produce informal relations of power and trust, where some actors are perceived by others to be very powerful and/or trustworthy. Since there are a lot of actors involved in the industrial relations system, with different relationships of power and trust between them, the whole system can be described as a complicated web of actors who are connected because one has power over the other, or because one trusts or distrusts the other. Svensson and Öberg argue that coordination is dependent on how these patterns appear within any specific industrial relations regime.

Svensson and Öberg specify five *ideal-typical patterns of coordination*, which differ according to the density of relations. Further, if actors are divided into different groups, it is the important ones that hold them together, ie they *bridge* relations – in this case of power or of trust – between the separate groups. By applying social network analysis, the authors are able to show which of these patterns provides the best descriptive approximation of industrial relations in Sweden. They also pinpoint the actors who take up the position of bridging power or trust between separate groups.

In substance, Svensson's and Öberg's results contradict the claim that there has been radical change in Swedish industrial relations. Despite changes in wage negotiation systems and representation on government agency boards, the government (ministries) and the national confederations of unions and employers are still powerful. However, other actors, especially unions in one and the same sector, act as bridges within the system.

The Labour Court has an outstanding position as the most trusted actor, and is also the one best able to bridge trust between contending parties. It is shown that a formal institution with finely tuned rules, accepted by the parties concerned, can bridge trust between actors who otherwise do not trust each other. Hence, in

order to understand relations of trust – as well as relations of power – it is not only direct unilateral relationships that should be taken into account, but also the whole pattern of direct and indirect links between all the important actors.

Power through institutions: production regimes, employment and EU membership

Sometimes, politicians advocate simplicity. Maybe to find scapegoats, they walk hand in hand with scientists in striving for general and simple explanations. In Chapter 7, *Organised labour and varieties of capitalism*, Sven Oskarsson challenges a tenacious myth that seems to have the lives of a cat. This concerns the supposed detrimental effects of economic globalisation. Socioeconomic change across the industrial world is said to have brought about increased economic interdependence and increasing capital movements across borders. Several factors are jointly working in the same direction. Competition for investment capital and markets, growing competition from low-wage countries, technological change biased toward skilled workers, increased exit options for capital are all changes that are supposed to have weakened redistributive policies and organised labour. They result in a convergence towards political and economic institutions of a market-liberal type. At least, so the story goes!

Oskarsson, however, convincingly demonstrates that this commonly held belief is plainly not correct. Data on strike activity, union density and wage-inequality levels not only contradict the convergence hypothesis but also lend support to the opposite scenario, namely that the strength of organised labour across the western world over the last decades is clearly characterised by divergence. In a brilliant analysis, he also explains the nature of this divergence. Using Hall's and Soskice's (2001) theoretical framework, 'Varieties of Capitalism', he shows that the effects of the common forces of globalisation are contingent on specific production regimes. Different institutional settings in coordinated countries (such as Sweden) and liberal market countries (with economies like the US and the UK) condition the pressures for change. In liberal market economies, pressures for change will determine the fate of organised labour. In coordinated economies, by contrast, institutional constraints will insulate the actors from these forces, and the trends in union density and wage inequality; strikes will develop without any relationship to changes in economic openness, unemployment or government partisanship.

The scientific evidence speaks against oversimplified models, where the sole focus is on general direct effects. Political, social, and economic behaviours are highly context specific, and – since contexts vary both over time and across space – a failure to take contextual variation into account in our grasp of a complex of social realities will certainly lead us astray. The powers of actors and

their opportunities to react to change are conditioned by institutional arrangements.

Hence, Oskarsson shows how institutions affect the power of *organised* labour. Related to this, the contribution made by Per Adman (Chapter 8) describes how *individual* workers' power is affected by different institutional settings, eg by institutions regulating employment and workplace participation. As is well known, the idea that unemployment and democracy in the workplace affects the power of individuals is one reason why these issues have been the subjects of fierce conflict in all industrial countries. Sweden is no exception in this respect, governments have been forced to resign, while unions and political parties have experienced severe internal disputes. The reason for this is that unemployment and workers' influence over their work are at the heart of struggles for power within the labour market sector. Moreover, it is claimed that being unemployed or having no influence over one's own work also affects a person's economic, social and mental situation. Although studies of the various effects of work have been extensive, a number of questions have not yet been satisfactorily investigated. One such question is how the aspects just mentioned affect democracy more generally, eg through their impact on political participation.

Per Adman's chapter, *Unemployment, workplace democracy and political participation*, which is a summary of his doctoral dissertation, presents convincing evidence that casts in doubt the most important research findings in the field so far. According to previous research, there is *no* support for the popular conception that unemployment causes low political participation. But, using survey data from Sweden, Adman is able to show that there are indeed expected effects on participation (except for participation in political parties). The unemployed participate in politics to a lesser extent than people who are employed. The author argues persuasively that earlier results have relied far too much on crude measures of participation.

While he re-establishes support for one popular assumption (earlier not supported by scientific empirical evidence), Adman *undermines* support for another widely held view. Several researchers, including Carole Pateman, have argued that an increase in influence at work will lead to an increase in political participation. Once again, Adman shows that knowledge in the field is methodologically flawed. Using two Swedish surveys that allow for panel data analysis, Adman does not find any support for the hypothesis presented by Pateman and others.

Adman's contribution, which may be fully evaluated by reading his doctoral dissertation (Adman, 2004), is especially relevant to discussions of political equality. He shows that the unemployed are not less motivated to participate in political life; rather, they do not have the resources that participation takes, and they lie outside the social networks crucial to involving people in politics.

Consequently, as can be concluded from Chapter 8, institutions that affect the rate of unemployment, and how the unemployed are treated, influence the strategic prerequisites for the political parties, and hence also the future shaping of the welfare state.

There are also other changes in institutions that might affect the industrial relations regime in Sweden. In Chapter 9, *Equal pay and the impact of the European Union*, Tanja Olson Blandy deals with one of the greatest challenges of the Swedish model, namely the confrontation between the Swedish tradition of informal regulations in collective agreements and the European tradition of legally regulated individual rights. Olson Blandy takes up a very interesting case, which highlights the conflict between these two forms of governance.

The most distinct feature of the Swedish model is minimal interference by the state in the field of working life. More or less everything that involves working life – and the definition of working life is wide – is regarded as a task exclusively for the social partners, ie employers' organisations and unions. Since regulating wages in negotiations without interference by the state lies at the heart of this tradition, equal pay and discrimination in the workplace are no exceptions. An illustration of this was the refusal of Sweden's Social Democratic Party to accept proposals for an Equal Opportunities Act, which were persistently put forward by liberals and conservatives in the 1970s. Even though, of course, the Social Democrats ideologically supported the idea of gender equality, the party disagreed with the Opposition over the means to achieve it. They were reluctant to instigate state regulations that would infringe the social partners' right to solve issues on the labour market through collective agreement. If necessary, unresolved conflicts should be handled by the tripartite Labour Court. An Equal Opportunities Act was finally passed after the Social Democrats lost the election of 1976, but the main features of the Swedish model remained intact. The social partners are still in control of the regulation and implementation of working life issues.

This key position of power is now threatened by EU membership. Olson Blandy describes the *institutional and policy misfit* between Sweden and the EU in the way issues of equal pay are treated, and explains how the confrontation between the two traditions affects the 'rules of the game' for actors in Sweden. Political actors with an interest in changing the current state of affairs may be empowered by the fact that they can refer to EU Directives.

Olson Blandy focuses on how another world famous Swedish institution, the Ombudsman – in this case the Equal Opportunities Ombudsman (JämO) – uses changes to the nature of the power struggle as a window of opportunity. JämO is responsible for the enforcement of the Equal Opportunities Act, and has been disappointed over how the social partners have treated gender issues in the Labour Court. Olson Blandy shows how the EU's equal pay principle empowers the Ombudsman to use new strategies. Most importantly, when a number of

strategically chosen cases have been taken to the Labour Court, as well as in communication with responsible ministers and with the mass media, JämO has referred to EU rules and regulations. Hence, the Ombudsman has used the misfit between domestic and EU policy as a structural opportunity in law enforcement.

JämO's strategy has not been successful so far. The social partners and their representatives on the Labour Court have managed to defend the power positions associated with the Swedish model. However, criticism from the Equal Opportunities Ombudsman may have longer-term consequences. Today, for the first time since all the social partners accepted the Labour Court in the 1930s (despite the unions being critical at the very beginning), restricting its functions is being genuinely considered. This is a real challenge to the Swedish model, and there are further challenges ahead. At time of writing, there is a fierce ongoing dispute over a foreign company that has refused to negotiate a Swedish collective agreement. The company has referred to the fact that they have negotiated a collective agreement in their home country. The unions have put the company under blockade, and are supported by preliminary rulings of the Court. The rules of the host country should apply when work is carried out in another EU country. The problem is that not everyone agrees about the status of rules established in collective agreements. Given that more or less everything in working life in Sweden is still regulated by collective agreement, the challenge to the Swedish model is readily apparent.

How these and other external pressures will affect the *transition* of the Swedish model is of course crucial to the future of individual citizens as well as to organised interest groups. As will be obvious from the contributions to this book, future rules of the game will hamper some actors' powers while enhancing those of others. This will affect how alliances are built and coordination is achieved. But, what is also clearly demonstrated in this book, in particular in its first section, is that the parties concerned will not just sit back and watch. Whether development of the institutions will continue along the same path as hitherto, or whether it will change direction, will be determined in power struggles between well-informed and goal-oriented actors.

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Chapter 2. Explaining wage coordination

Karl-Oskar Lindgren

The nature of wage bargaining in general, and the extent to which such bargaining is coordinated in particular, has become one of the most frequently used variables in quantitative analyses of the comparative political economy of industrialised democracies. To take but a few examples, wage coordination has been shown to affect unemployment and inflation (Calmfors and Driffill, 1988; Iversen, 1999), wage inequality (Wallerstein, 1999; Oskarsson, 2003), and the viability of partisan politics in face of globalisation (Garrett, 1998). Against this background, surprisingly little systematic attention has been paid to the origins of wage coordination. Why is it, for instance, that wage bargaining is always coordinated in Germany but never in Canada? Or, why did wage coordination suddenly become a dead project in the UK after its breakdown in the late 1970s, whereas coordination was restored in the Netherlands only a few years later?

Rather than addressing questions such as these, most quantitatively oriented scholars have chosen to take the nature of wage bargaining as exogenously given; that is, coordination has simply been considered a characteristic that some countries have and others lack (cf Thelen, 2001). This is an unfortunate practice since not only does it divert scholarly attention from some fundamental scientific questions, but – to the extent that institutional changes in wage bargaining are endogenous to the outcomes of interest – the practice also implies that many of the empirical results in the field may be subject to simultaneous equation bias (cf Flanagan, 1999). This chapter seeks to contribute toward filling this gap in the literature by exploring *why* unions and employers *voluntarily* choose to coordinate wage bargaining in some countries but not in others.

When addressing the question of why unions and employers in some countries choose not to coordinate their wage bargaining, two answers immediately come to mind; they do not want to coordinate their actions, or they cannot do so. Or, as Scharpf and Schmidt (2000, p. 12) chose to put it:

‘coordinated collective bargaining implies the *capacity* and *willingness* of negotiators in individual bargaining units to reflect the joint impact of bargaining outcomes on the state of the national economy’.

Although the importance of willing and able labour market actors is a common theme in writings on the topic, there seems to be rather fundamental disagreement between scholars on the relative significance of these two factors. Whereas

some suggest that ability is the prime mover of wage coordination, others stress the primacy of incentives.

There is, however, a third partially contending perspective on the origins of wage bargaining institutions in different countries. This perspective suggests that such institutions are not so much the creation of willing and able intentional actors as the result of earlier choices. Wage bargaining institutions are said to be characterised by *path dependence*; that is, once a country has embarked on a specific institutional path, it rarely changes to another.

However, since ultimately the relative merits of these different explanations depend upon their empirical validity as much as their theoretical power, they need to be tested against data. Whereas there is widespread case and descriptive evidence of the evolution of bargaining systems in specific countries (eg Thelen, 1993; Pontusson and Swenson, 1996; Elvander, 1997; Iversen, 1999; Perez, 2002), there are very few systematic quantitative studies covering the entire group of industrialised democracies over time. To my knowledge there are only two such studies.

One is the study by Wallerstein and Western (2000), in which the authors set out to explain the variation in centralisation of wage setting across 15 countries between 1950 and 1992. Undoubtedly, this study both improves on and complements the earlier literature in many important respects. Nevertheless, the study has two main drawbacks. First, it focuses on centralisation instead of coordination. But, today most scholars seem to hold the view that coordination is more important than centralisation. Second, Wallerstein and Western do not differentiate between voluntary and state-led centralisation. Instead, their ‘scale of the level of wage setting combines both’, though they note that ‘confederal involvement and government intervention can be examined separately’ (Wallerstein and Western, 2000, p. 365).

In contrast to this view, I argue that not only is it possible to examine these two forms of coordination (centralisation) separately, but that it is something we ought to do. This becomes particularly important when studying the causes of different wage bargaining institutions, since we usually have no reason to assume that the goals and motivations of the government are the same as those of employers and unions. Nonetheless, this is exactly what Wallerstein and Western seem to assume. By lumping together voluntary and state-led coordination they implicitly posit that the same variables affect both the government’s decision whether or not to intervene in wage bargaining and the decision of unions and employers whether or not to establish voluntary coordination. Moreover, they assume the variables to have the same effect on these two decisions. Neither of these assumptions is plausible.

The second larger quantitative study addressing the issue of why wage bargaining is conducted differently in different countries is that of Traxler et al. (2001, Chapter 10). Unlike Wallerstein and Western, Traxler and his co-authors

focus on coordination rather than centralisation, and they carefully distinguish between voluntary and state-imposed coordination. Nonetheless, this study also leaves something to be desired. Given our question why wage bargaining is coordinated in some countries but not in others, it is especially troubling that Traxler et al. (2001, p. 162) keep their analysis ‘solely bivariate and primarily descriptive’. The problem is that we cannot really know whether the results presented by the authors are true or spurious, because a bivariate analysis provides no way of isolating the effects of the different variables.

In brief, empirical analysis of the origins of wage coordination needs to distinguish between voluntary and non-voluntary coordination forms. Further, in order to find out whether a particular factor is decisive to the decision to coordinate wage bargaining or only spuriously related to that decision, the analysis needs to be multivariate rather than bivariate. This chapter provides such an analysis.

The problem defined

As mentioned in the introduction to this volume, there is a huge amount of research on the effects of different wage bargaining institutions, in both political science and economics. Most recent accounts focus on the degree of coordination of wage bargaining, ie the extent to which the pay negotiations conducted by distinct bargaining units are synchronised across the economy. This concept is separable from the degree of centralisation, which refers to the level at which wage settlements are formally concluded (Traxler et al., 2001, p. 144). It is often noted that effective voluntary coordination comes in two forms. In one, the principal locus of bargaining is at the economy-wide or peak level, where negotiations take place among highly centralised trade union and employers’ confederations. In the other, bargaining takes place primarily among actors at industry level, but is equipped with sufficient economy-wide linkages to transmit the settlement in the leading sector across the economy (Franzese and Hall, 2000, p. 178). While the former type of coordination is often referred to as centralised bargaining, the latter has been termed pattern-setting bargaining.

Inspired by the seminal work of David Soskice (1990), there now seems to be a growing consensus that coordination of wage bargaining promotes real wage restraint and low unemployment. The predominant understanding is that wage coordination constitutes a solution to the collective action problem of securing wage restraint. This argument follows the simple logic that when wages are set in a fully coordinated fashion, the temptation to free ride on the wage restraint on others will evaporate, since all actors know that wage militancy in one sector automatically will be transmitted to other sectors of the economy, leaving everybody worse off (Iversen, 1999).

As pointed out by Kenworthy (2001b), wage coordination is fundamentally a behavioural concept, measuring the degree to which wage bargaining in different sectors of the economy is synchronised (ie oriented towards a common goal). However, since such coordination can be generated by qualitatively different institutional arrangements – such as centralised and pattern-setting bargaining – the concept is not straightforward to measure. One approach is that taken by Soskice (1990), who ranks each country according to the observed degree of coordination of wage outcomes. Although commonly used, measures adhering to this method have been criticised for being impressionistic and suffering from a substantial amount of measurement error (Kenworthy, 2001b).

An alternative – and more promising – route is taken by Traxler et al. (2001), who focus on the coordinating activities of actors, instead of the degree of coordination actually achieved. Using this strategy, they are able to distinguish between no less than six different bargaining modes: *inter-associational coordination*, *intra-associational coordination*, *state-sponsored coordination*, *pattern-setting coordination*, *state-imposed coordination*, and *non-coordination* (see Appendix 2.1 for further details). This measure differs from many of the others available in the literature, in treating coordination as a discrete rather than as a continuous phenomenon. The justification for this approach, they argue, is that because wage coordination is generated by qualitatively different institutions, it is impossible unambiguously to rank different bargaining arrangements in terms of their degree of coordination. Or, as Traxler (2002, p. 117) puts it:

‘There is no theoretical argument that can show that decentralised coordination forms are more/better coordinated than centralised bargaining or vice versa. Therefore, any kind of single, composite measure based on ordinal or parametric ranking of bargaining coordination is pointless’.

There are two interpretations of this statement. One is that wage coordination is an inherently discrete concept that never will lend itself to anything more than a nominal classification. The other is that, although it eventually might be possible to construct an unambiguous continuous scale of wage coordination, this is not possible given the knowledge we currently possess on the workings of different types of bargaining institutions. Therefore, it is better to employ a nominal approach until we find out how to construct an unambiguous continuous measure.

I think the latter, pragmatic interpretation of the statement is the more reasonable one, and that it has a lot speaking in its favour. Since the aim of this chapter is not to explain how the actors choose to coordinate, but merely to explain why they occasionally choose to do so, I believe a dichotomous measure of wage coordination can prove useful. Perhaps some readers may find such a typology strange, since it discards information on all of the more subtle differences in the way wage bargaining is conducted in different countries. However, it is precisely because the classification abstracts from the finer details in bargaining arrange-

ments that it helps to highlight the key elements common to all countries in one camp but not shared by those in the other camp.

It can also be noted that the approach taken here is not in any way new. Much of the early research in the field built on a more or less explicit dichotomy between corporatist and non-corporatist countries. As a matter of fact, in one of the earliest quantitative analysis of the relationship between labour market institutions and economic performance, Crouch (1985) used a dichotomous distinction between coordinated and uncoordinated systems as his main independent variable. A more recent example is to be found in the ‘varieties of capitalism’ literature, which employs the dichotomy between coordinated and liberal market economies to classify the overarching economic systems in different countries (Hall and Soskice, 2001). Thus, although the ‘all or nothing’ approach here taken towards wage coordination may seem rather blunt, I believe it to be a useful starting point when trying to understand the determinants of different types of wage bargaining institutions. We therefore need to find a way to convert the six bargaining modes identified by Traxler et al. into a dichotomy.

In order to save on degrees of freedom when conducting a statistical analysis, Traxler and his co-authors gather inter-associational coordination, intra-associational coordination and state-sponsored coordination under the heading ‘voluntary peak-level coordination’ (see Traxler and Kittel, 2000). I will do the same, but in line with more common parlance, I will refer to this combined category as ‘centralised coordination’. This reduces the number of categories from six to four. The question is how to fit the four into the coordination vs. non-coordination categorisation. Obviously, both centralised and pattern-setting coordination belong in the former category. Equally obvious is that non-coordinated bargaining should be placed in the latter category.

The category of state-imposed coordination, however, poses a problem. It is qualitatively different from the other coordination modes, in that it does not refer to voluntary coordination on behalf of unions and employers, but to coordination forced upon the actors by the state. This is problematic since our interest is in the factors making voluntary coordination more or less likely, not in the factors making state intervention more or less likely. Hence, it is not obvious how to code this specific bargaining mode.

Nevertheless, I believe the ambiguity of the state-imposed coordination category disappears (or at least is severely lessened) once we consider the preferences of government. Most governments are very reluctant to take full responsibility for wage bargaining. And they have good reasons for being reluctant, since government agencies usually lack the information necessary to set efficient and fair wages. Therefore, as Soskice (1990, p. 59) points out, once the government ‘begins to lay down explicit pay guidelines it can easily get caught in politically damaging situations’. Because of this, we would usually expect that it is only when voluntary coordination has failed that the government considers adopting

authoritarian measures to curb rising inflation and unemployment. This being the case, the question of how to establish and maintain voluntary coordination is prior to the question of how different governments will respond when voluntary coordination has failed.

So understood, both state-imposed coordination and uncoordinated bargaining refer to situations where voluntary coordination is lacking. This view squares with the empirical observation of Traxler et al. (2001, p. 297) ‘that state-imposed incomes policy normally follows failure by voluntary coordination’. Hence, I will throughout this chapter take non-coordination to mean either uncoordinated bargaining or state-imposed coordination, and coordination to mean either centralised or pattern-setting bargaining.

Although Traxler et al. have so far only made their data available in the form of three-year period averages, I have been able to interpret the data on an annual basis by using complementary sources (Kenworthy, 2001a; Golden et al., 2002; Traxler, 1999). Unfortunately, it has proven impossible to differentiate between coordination on the employer and on the union side. Therefore, bargaining in a country will be considered as coordinated if it is coordinated on either one of the two sides of the labour market. However, since coordination on one side is usually accompanied by coordination on the other, this is not a serious limitation.

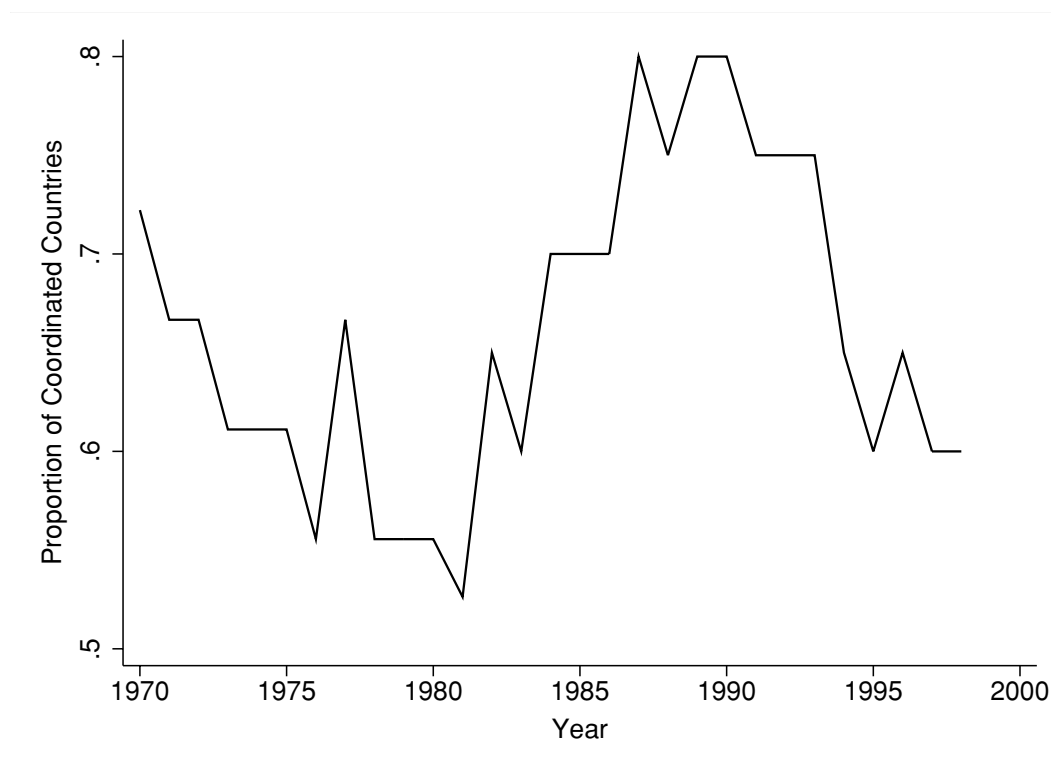


Figure 2.1. Proportion of coordinated countries, 1970-1998.

Figure 2.1 displays the binary coordination data averaged for the 20 OECD countries studied in this chapter over the period 1970-1998.¹ Although the inter-country variation accounts for the lion's share of the total variance in coordination practices, the graph makes clear that there is also a non-negligible amount of intra-country variation in the data.² The proportion of coordinated systems ranges from just over 50 percent in the mid-1970s to almost 80 percent in the late 1980s. During the period of interest, there were 42 transitions into or out of coordination. In nine out of 20 countries wage bargaining was either coordinated or uncoordinated in all years.

It should be obvious from these data that there is interesting variation in bargaining practices – across both time and space – that needs to be accounted for. Before discussing possible explanations of this variation, I present a simple theoretical framework to guide the following discussion.

A theoretical framework

Most of the analysts dealing with the origins of wage bargaining institutions take as their point of departure the assumption that the establishment and maintenance of coordinated wage bargaining constitutes a second-order collective dilemma of considerable magnitude. The idea is that, since wage coordination cannot be enforced by law, the institutional solution risks being subject to the very incentive problem it is supposed to resolve. As Olin Wright (2000, p. 980), among others, points out, the dilemma is equally pressing for employers and unions:

‘Wage restraint is an especially complex collective action problem: individual capitalists need to be prevented from defecting from wage-restraint agreement (ie, they must be prevented from bidding up wages to workers in an effort to lure workers away from other employers given the unavailability of workers in the labour market), and individual workers (and unions) need to be prevented from defecting from the agreement by trying to maximise wages under tight labour market conditions.’

Thus, since coordinated wage bargaining provides a public good (wage restraint), the logic of the situation is assumed to resemble that of the infamous prisoner's dilemma (eg Knight, 1992; Golden, 1993; Bowman, 1998; Swenson, 2002).

Working under the presumption that an external Leviathan is necessary to avoid the suboptimal outcome in the prisoner's dilemma, many rational choice scholars of the 1970s arrived at the same conclusion as the marxists, namely that wage coordination can only be assured by means of coercion. This view has,

¹ The countries covered are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Ireland, Japan, the Netherlands, New Zealand, Norway, Portugal (from 1975), Spain (from 1977), Sweden, Switzerland, the UK, and the US.

² To be more precise, the intra-country variance accounts for 37 percent of the total variance in wage coordination.

however, been criticised by other rational choice theorists, claiming that the argument that individual unions (workers) and firms cannot rationally consent to wage regulation is strongly exaggerated. The most common critique directed against the early rational choice applications in the field is that they chose to model the situation as a single-shot rather than as an iterated game. Lange (1984, p. 102), for instance, suggests that the latter approach is preferable, '[f]or any particular wage-regulation bargain is always just one in a series of bargain (wage-regulation and not) between unions and employers'.

The most thoroughly developed argument along these lines is set forth in an article by Holden and Raaum (1991), who outline a simple formal model that can serve as a useful heuristic device for the following discussion.

The Holden-Raaum model

The game, pictured in Figure 2.2, begins with a wage coordination agreement in place, and each union and employer has to decide whether to respect the terms of the agreement (C) or to cheat on it (D). In order for a coordination agreement to be stable, it must be supported as an equilibrium in this game. If not, unions and employers would never assent to the terms of the agreement in the first place.

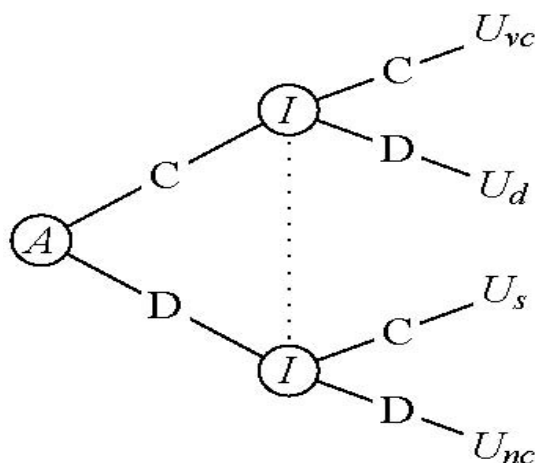


Figure 2. 2 The wage coordination game.

Wages are assumed to be determined simultaneously in all sectors of the economy; that is, any deviations from a prior coordination agreement will not be discovered until all sectors have decided on a wage policy. Accordingly, each *individual* union and employer – which we denote *I* – is assumed to make its decision in ignorance of the choices of *all* other unions and employers (denoted *A*).³ Thus, since the preference ordering is taken to be that of a prisoner’s

³ This lack of information is represented by the information set (the dotted line) connecting *I*’s decision nodes.

dilemma – $U_d > U_{vc} > U_{nc} > U_s$ – there will always be a temptation for unions and employers to deviate from a coordination agreement, reaping the short-run gains from setting higher wages. As long as the wage setting in one year is viewed in isolation, wage coordination is not achievable, because the dominant strategy of all players is to cheat on the agreement.

However, just like Lange (1984), Holden and Raaum find it more reasonable to picture the situation as an iterated game. In this iterated game, the actors are assumed to adhere to the following strategies: (i) stick to the coordination agreement until some actor deviates from the agreement, (ii) if some actor has ever deviated, choose uncoordinated bargaining until an exogenous event Q takes place. By including the exogenous event Q, which occurs with the probability $1 - p$, length of punishment is turned into a random variable.⁴ When choosing strategy in the iterated game, the actors' main concern is with the sum of the discounted future payoffs. Since all actors believe the others will partake in coordination as long as they do not cheat on the agreement, they can secure the coordination payoff (U_{vc}) in all future rounds of the game by sticking to the agreement. However, if they decide to cheat on the agreement they can hope to obtain the free-rider payoff (U_d) in the first time period, but after that will either obtain the non-coordination payoff (U_{nc}) – if their defection results in punishment – or the coordination payoff (if defection is forgiven by the others and coordination is resumed). Coordination is only sustainable if the expected payoff from coordination exceeds the expected payoff from defection. Formally, this can be stated as:

$$U_d + \sum_{t=1}^{\infty} \delta^t p^t U_{nc} + \sum_{t=1}^{\infty} \delta^t (1-p^t) U_{vc} \leq \sum_{t=0}^{\infty} \delta^t U_{vc}, \quad (2.1)$$

where p is the probability that a defection will result in non-coordination in any of the following time periods and δ is the discount factor (which varies between 0 and 1). Rearranging terms and utilising the fact that the sum of the infinite series $\sum_{t=1}^{\infty} \delta^t p^t$ converges on $\delta p / (1 - \delta p)$, we obtain the simpler condition:

$$\frac{U_d - U_{vc}}{U_{vc} - U_{nc}} \leq \frac{\delta p}{1 - \delta p}. \quad (2.2)$$

In order for a coordination agreement to be sustainable, the right hand side of this expression must be at least as large as the left hand side. The numerator of 2.2 represents the gains from cheating on the agreement relative to sticking to it,

⁴ When p equals one, the actors adhere to the grim trigger strategy; that is, a single deviation of any actor induces all actors to choose non-cooperation in all future interactions (eg Morrow, 1994). If, instead, the exogenous event is certain to occur in each period ($p = 0$), this means that a deviation will never be punished.

while the denominator expresses the gains from respecting the agreement relative to the one-shot equilibrium of mutual non-coordination. Depending on the size of the payoffs, the model pictured in the inequality (2.2) can explain both the presence and absence of coordination in a country at a specific point in time. The crucial question, however, is under what conditions voluntary coordination will prevail.

Stated somewhat generally, voluntary coordination becomes more likely: i) the less impatient the actors are (ie δ is higher), ii) the higher the probability of getting punished in case of defection (ie p is higher), and iii) the greater the benefits from coordination relative to the gains to be had from non-coordination. But, this only begs the question of which of these factors are most likely to account for the variation in bargaining practices across time and countries.

One would be hard pressed to come up with any substantive reasons why the discount factors of unions and employers should vary across contexts. Why would, for instance, Canadian unions and employers be more impatient than German ones? Consequently, few scholars have suggested differences in discount factors to be the main reason why wage bargaining is coordinated in some countries but not in others.⁵ It is considerably more common to point to the importance of either of the two remaining factors. In the next section we will focus on the argument that variation in bargaining practices is mainly due to differences in actors' ability to maintain credible punishment schemes.

The lack of ability argument

Led by the conviction that the stability of coordinated wage bargaining depends crucially on the extent to which defection from the agreement can be sufficiently discouraged, much of the early corporatism literature sought to identify different institutional and organisational prerequisites for stable wage moderation. Although all scholars did not subscribe to the most extreme version of the argument – stressed by marxists and some rational choice scholars – that wage coordination can only be assured by means of coercion, it was a commonly held view that rank-and-file wage revolt and grass-roots rebellion were the main obstacles to stable wage coordination (cf Golden, 1993). That is, the viability of wage moderation was thought to hinge on the degree of organisational ability, on the part of labour market actors (especially unions), to handle potential crises of representation (cf Regini, 1984).

Two organisational features in particular were given emphasis, namely associational centralisation and concentration. Centralisation was assumed to affect the ability of the organisations to get their rank-and-file members to accept the terms of an agreement once reached, while concentration, it was argued, was necessary

⁵ Lange (1984) is an exception, but he seems to conflate the size of future payoffs and the discount factor.

to avoid disruptive competition between organisations. Thus, the policy implication of early corporatism research was clear. In countries where the necessary organisational ability is missing, wage coordination, in any form, is bound ultimately to fail.

As Culpepper points out, the more recent literature, based on the ‘varieties of capitalism’ approach can make equally grim reading for public policy makers. If countries lack the institutional framework necessary for sustaining non-market coordination, the advice given by the approach is simply

‘stick with the policies that are compatible with the existing institutional framework of your country, even if that means abandoning goals that could improve both the competitiveness of firms and the wages of workers’ (Culpepper, 2001, p. 275).

This view is expressed most clearly by Torben Iversen (1999, p. 94) in his seminal work on cross-country variation in monetary policy and wage coordination:

‘My argument pivots around the concept of strategic capacity – that is, the extent to which the actions of economic actors have predictable and discernible effects on the welfare and decisions of other players. I equate empirical cases in which it is reasonable to assume strategic capacity to the previously introduced concept of Organised Market Economies (OMEs), while political economies in which strategic capacity is lacking are equated with Liberal Market Economies (LMEs) ... The discussion in this section focuses on OMEs *because collective action problems preclude coordinated institutional outcomes in LMEs* (italics added).’⁶

Regardless of whether he is right or wrong, Iversen here assumes something that needs to be explained; that is, he never makes explicit *why* liberal market economies cannot overcome their collective action problems. Suggesting that the reason for this is that the actors in those countries lack strategic capacity, only begs another question. Why does strategic capacity matter?

Although Iversen never addresses this question explicitly, he points to a possible answer in a footnote, when noting that when strategic capacity is absent the situation will resemble a finite multiplayer prisoner’s dilemma game, since all actors have a dominant strategy and their choices are unaffected by the choices of others (Iversen, 1999, p. 186). This proposition fits neatly into the model discussed in the previous section. In fact, what Iversen seems to be suggesting is

⁶ Although some authors prefer to refer to the OMEs as Coordinated Market Economies (CMEs), most scholars seem to agree on the classification of the countries in these two groups. The OMEs are supposed to include most northern European countries, such as Germany, Sweden and Switzerland, and also Japan and South Korea, while the LME category mainly comprises the Anglo-Saxon economies (cf Soskice, 1999).

that the threat of punishment is unequally credible in different countries. Or stated somewhat differently, that the parameter p in inequality (2.2) differs across contexts.

A lingering issue, however, is why we should assume the capacity to punish defections to differ across countries. Iversen's answer is that the degree of strategic capacity in a country is closely related to the fragmentation of its labour market; that is, higher fragmentation implies less strategic capacity (Iversen, 1999, p. 74). This observation is well in accordance with the often-cited result from applied game theory, namely that it becomes harder to maintain cooperation in a repeated prisoner's dilemma, since the group size increases. In larger groups the actors tend to perceive their individual actions as less visible, thereby enabling them to cheat on the cooperative agreement without being noticed (cf Snidal, 1985). In the case of wage coordination this means that unions and employers in more fragmented labour markets assign higher probabilities to the chance of getting away with a defection on the coordination agreement unnoticed. In terms of 2.2, the parameter p is lower in more fragmented systems, and therefore the actors have less ability to overcome the dilemma of establishing coordinating institutions (see also Golden, 1993).

Thus, despite the fact that his starting point is different, Iversen reaches the same verdict as many other students of corporatism, ie that associational concentration is a necessary condition for voluntary wage coordination. This conclusion has, however, been called into question by recent empirical findings. Contrary to what we would expect on the basis of the previous argument, Wallerstein and Western (2000) and Traxler et al. (2001) find centralised and coordinated bargaining, respectively, to be associated with lower levels of associational concentration. Whereas Traxler et al. remain puzzled by their result, Wallerstein and Western suggest that centralisation and concentration may in fact be substitutes; that is, centralised wage setting is less needed if the labour market is highly concentrated. Since both of these studies have their shortcomings, there is a need for caution in drawing any firm conclusion. But, the findings do suggest that the relationship between wage coordination and associational coordination is well worth further investigation.

Unfortunately, there exists no good time variant measure of associational concentration among employers' organisations. Therefore, in order to measure the effect of this variable we have to rely solely on data on the situation among unions. This problem is somewhat mitigated by the fact that concentration on the two sides usually go together (Traxler et al., 2001, p. 61). Golden et al. (1999) propose two measures of union concentration, inter-confederal and intra-confederal. While the former focuses on the distribution of union members between different peak-level confederations, the latter is concerned with the distribution of union members within these confederations. Usually, these two dimensions of fragmentation are presented in the form of separate Herfindahl

indexes measuring the probability that two union members selected at random belong to the same confederation or affiliation. However, in order to obtain a valid measure of the overall concentration it seems preferable to combine these two indexes. Here, I will do this by multiplying the Herfindahl index for inter-confederal concentration with the index for intra-confederal concentration. This new index, scaled to range between 0 and 100, represents the relative probability that two union members selected at random belong to the same confederation *and* affiliation.⁷

Much of the previous discussion implies that the sanction is all or nothing. It has been assumed that the only way in which unions and employers can punish defectors is by withdrawing from the coordination agreement themselves. The problem with this kind of sanctioning is that it hurts the punishers as much as it hurts the actor being punished. In some countries, however, unions and employers have access to sanctioning modes of a more incremental nature, ie in those where unions and employers have vested authority in confederal associations. Soskice (1990, p. 43), for instance, stresses the important role played by powerful employer organisations in preventing free riding among firms:

‘Their sanctioning ability is usually informal. It may take the form of quite indirect warnings of a tacit sort related to other areas of activity: generally letting it be known that such and such company is not a good citizen. Or it may involve more explicit actions, such as financial sanctions, as the Swedish SAF has power to impose. Or it may not involve sanctions but support when a company is strikebound: such as strike insurance funds run by German employer organisations.’

Here, Soskice provides an excellent description of what is usually labelled associational centralisation. While his intellectual ancestors found union centralisation to be a necessary condition for stable wage moderation, Soskice finds centralisation on the employer side to be such a condition. Writing on the topic why some labour markets have been deregulated while others have been reregulated in the face of globalisation he suggests that in countries

‘in which business was not organised so effectively, this lack of business coordination meant that the institutional capacity necessary for reregulation along similar lines was missing ...’ (Soskice, 1999, p. 134).

Other scholars have, however, argued that associational centralisation alone is rarely sufficient to discourage defection, since ‘there are general limits for voluntary associations when it comes to binding their members by fiat as reliably as

⁷ Unfortunately, comparable data for the intra-confederal dimension are only available for the largest blue-collar confederation; therefore, this interpretation builds on the assumption that the concentration within the largest confederation is representative of all confederations within any one country.

effective macro-coordination requires' (Traxler et al., 2001, p. 240). Therefore, the likelihood of successful voluntary coordination should increase if associational centralisation is complemented by legal means. In this respect, peace obligations prohibiting industrial action when agreements are in force are usually taken to be the most important aspect of labour legislation.

Following Wallerstein and Western (2000), the index capturing the degree of centralisation on the employer side consists in a threefold scale based on i) whether the Confederation of Employers has the right to veto wage contracts signed by members, ii) whether the Confederation of Employers can veto lock-outs by members, and iii) whether the Confederation of Employers has its own conflict funds. Reasoning in a similar vein, the degree of centralisation on the union side consists in a threefold scale based on i) whether the unions' confederation has the right to veto wage contracts signed by its affiliates, ii) whether the unions' confederation can veto strikes by its affiliates, and iii) whether the unions' confederation has its own conflict funds. If there is more than one confederation on either side of the labour market, the index is based on the authority of the largest of these confederations.

As pointed out by Traxler et al. (2001, p. 186) a peace obligation

'may either follow automatically from any collective agreement or it may be optional in that only an explicit clause in the agreement obliges the signatory parties to keep the peace'.

However, we would assume unions and employers to invoke peace obligations in the agreements where it is possible to do so if they believe such obligations to be of importance for the stability of the agreement. Therefore, the vital distinction should be between the countries in which peace obligations can be signed and where they are non-existent. Consequently, I use a dummy variable taking on the value of 1 when peace obligations are possible, and of 0 when they are non-existent.

Although highly influential, the lack of ability explanation is not uncontested. An alternative, though not exclusive, explanation has been proposed by a group of scholars arguing that the reason why bargaining practices differ across time and countries, is not so much due to differences in the actors' ability to coordinate their actions but to differences in their willingness to do so.

The lack of willingness argument

It is rarely the case that the scholars who stress the priority of willingness over ability, when it comes to explaining variation in bargaining practices, dismiss completely the importance of having the ability to enforce agreements. What they do suggest, however, is that differences in incentives are more likely to account for this variation than are differences in ability. This is, for instance, the

view taken by Marino Regini. Summing up his study on the failure of political exchange in the UK and Italy in the late 1970s, which in both countries aimed at getting unions and employers to accept wage moderation in return for other policy concessions, he suggests that

‘[f]urther research should focus on the variability of the conditions for political exchange, ... rather than on supposed organisational or institutional prerequisites, which, for all their importance in some situations, may be shown to be neither necessary nor sufficient in others (Regini, 1984, p. 141; see also Regini, 1997).

That is, in terms of the previously discussed model, we should concentrate on the benefits of coordination (U_{vc}) relative to the gains to be had from non-coordination (U_d, U_{nc}), rather than on the likelihood of being punished in case of defection (the parameter p in 2.2).

Regini is not alone in taking the position that willingness rather than ability is the prime mover of wage coordination. After first admitting that the organisational features of the unions may be of some importance, Lange (1984, p. 108) goes on to claim that

‘[o]ther factors ... are likely to explain more about when workers decide to co-operate with specific wage-regulation proposals, and why the willingness to co-operate may shift from one agreement (ordinary game) to the next’.⁸

However, in order to find out whether differences in the actors’ incentives can account for the variation in wage bargaining institutions, we must further specify those incentives. Which factors enter into the calculations of unions and employers when deciding on whether or not to take part in wage coordination?

Holden and Raaum (1991) discuss two such factors. First, they claim that unions and employers become less willing to coordinate wage bargaining as union density decreases, because the adverse effects of unionisation will be smaller when the union movement is weaker. For employers, the argument goes, coordinated wage agreements guard against the danger that individual unions will exploit their labour market strength to win settlements that will jeopardise the competitiveness of firms. And the stronger the unions are, the greater harm they can inflict on firms. Somewhat paradoxically, union strength can also be problematic for the unions themselves. Since if a strong union uses its

⁸ Arguing along similar lines, Bowman (2002, p. 1 023) closes his discussion on the persistence of centralised wage bargaining in Norway by remarking that ‘[a]s long as centralized wage setting continues to provide these benefits, Norwegian employers will continue to advocate wage institutions in which market forces continue to be guided by “collective common sense” even as they promote adaptations that increase local-level flexibility’.

‘strength unrestrainedly in pursuing workers’ short-term interests through collective bargaining, then its disruption of the economy may be such as to imperil its future ability to defend its members’ employment and in turn the very basis of its power’ (Regini, 1984, p. 130).

Therefore, Holden and Raaum (1991) posit a positive relationship between union density and the incentives for wage coordination.

I will, however, argue that Holden and Raaum are only partly correct. The problem with the argument is that it neglects the fact that higher union density also implies that union members become more heterogeneous in terms of education, skills and occupations. Building on one of the key insights in the seminal work of Offe and Wiesenthal (1980), we should assume that more heterogeneous union movements are less willing to act collectively than more homogenous ones. More diverse interests entail a greater necessity for compromises within the union movement regarding wage profiles, employment security, working conditions etc., which reduces the benefits of coordination.

Although less obvious, we should assume similar mechanisms to be at work on the employer side. When new groups of workers organise and obtain the right to conclude collective agreements, employers’ associations will be faced with new issues and trade-offs. Hence, an increased heterogeneity among union members will have repercussions for the homogeneity of employers’ interests. The fact that greater dispersion of interests can be thought to reduce the benefits of wage coordination for employers is well exemplified by the breakdown of centralised bargaining in Sweden. In the mid-1970s the board of the Swedish Engineering Employers’ Association concluded that Swedish employers by then had become so heterogeneous that ‘it is currently impossible to reach a solution that suits export industry’ while simultaneously satisfying the home market and service industries (quoted in Swenson, 2002, p. 313). This was one of the main reasons why the organisation later decided to withdraw from centralised bargaining.

I hypothesise the positive effect of unionisation, emanating from the increased amount of internalised externalities, to dominate the negative ‘heterogeneity effect’ at low and intermediate levels of union density. However, at high levels of unionisation we should expect the opposite relationship to hold; that is, the relationship between actors’ willingness to coordinate wage bargaining and union density should be hump-shaped rather than linear. This line of reasoning is well in accordance with Regini’s suggestion that it is ‘the medium-strong trade unions ... that may be seen as the most conducive to a successful concertation of – either formal or informal – incomes policies’ (1997, p. 273). In order to find out whether this is the case, I will include both adjusted union density and its square in the statistical model specification, to be discussed below.

Holden and Raaum also suggest that the costs and benefits of coordination should be conditional on the behaviour of the government. In an article of his own, Holden discusses at length the effects of different exchange rate policies, arguing that the adverse effect on unemployment (from uncoordinated bargaining) will be mitigated if the government pursues an accommodating monetary policy, as the depreciation of the currency will reduce the real wage towards its full employment level. Therefore, he claims, government policy will affect whether or not actors are willing to coordinate, 'as a devaluation policy may make the costs of independent wage setting so small that cooperation is not sustainable' (Holden, 1991, p. 1 545). According to this argument, we should assume willingness to coordinate to decrease with toughness of monetary policy within a country. The toughness of monetary policy is usually presumed to vary with the independence of the central bank. Following Franzese (2002), I will measure central bank independence as the average of five commonly used indexes, which measure both the legal status of the central bank and its reputation for independence. This averaged index ranges from 0 to 1, with higher scores indicating a greater degree of independence.

Another variable that is often thought to affect unions' and employers' incentives to establish and maintain coordinated wage bargaining is degree of economic openness. There is, however, no consensus on the direction of this effect. On the one hand, there are scholars who suggest that increased internationalisation should decrease actors' incentives (employers' in particular) to coordinate bargaining. This is because stronger international competition makes it 'more important to adjust wage costs to foreign competitors rather than to secure a "level playing field" in the sense of equal wages across the domestic economy' (Calmfors, 2001, p. 340). On the other hand, there are those scholars who claim that internationalisation will increase the incentives for wage coordination, especially among workers. This is because, the argument goes, international competition will increase exposure to different forms of macroeconomic shocks and therefore lead to a higher demand for social protection. Reduction of wage dispersion associated with coordinated bargaining can be seen as one such form of protection (Visser, 2002, p. 63).

Previous empirical results on this topic are mixed. While Wallerstein and Western (2000) find no effect at all of economic openness, Traxler et al. (2001) find coordinated systems to simultaneously be both more and less open than uncoordinated systems, depending on what kind of coordination (centralised or pattern-setting) and openness (trade or financial) we are referring to. In line with much of the previous research on economic internationalisation, I will use two measures of economic openness: trade openness, calculated as total imports plus exports as a percentage of GDP, and Quinn's (1997) 14-point scale of financial openness.

Finally, it is often argued that cooperation on wage restraint is more likely when the left controls the government. Different scholars have proposed a wide variety of ingenious mechanisms supporting this relationship (see Lange, 1984). A highly influential argument to this effect concerns the role of the state as a compensator for wage restraint. According to this argument, unions may agree to regulate their wages if the state compensates them for not utilising fully their labour market power in uncoordinated bargaining. Union members are usually assumed to be compensated by an increase in the social wage, ie publicly provided services and any cash benefits that are viewed by workers as part of their income. Parties to the left are usually both more sympathetic to the unions and more willing to increase this social wage than are parties to the right.

Even if correct, this argument appears to have little bearing on employers' willingness to consent to wage coordination, since it is mainly workers, not firms, that are assumed to be compensated for their cooperation. We might, however, also expect government partisanship to affect employers' interests in this regard. Primarily, this is because union strength may vary with the extent to which parties to the left control government. For example, it is often noted that the extent of union control over the labour supply will depend on the legal framework and legislative environment in which bargaining takes place (eg Calmfors et al., 2001). It can be thought that this environment is more supportive of unions' right to industrial action etc. under leftist governments than under rightist ones. It was, for instance, this kind of reasoning that led the Swedish employers in engineering to (at least temporarily) suspend their demands for full-blooded decentralisation of wage bargaining by signing the industrial agreement of 1997. The Swedish Engineering Employers' Association explains their decision to ratify the agreement as follows:

'The problem of unions' right to industrial action became a decisive factor for the decision. The government authorities had shown some willingness to come to terms with the problem of union conflicts, but all previous experience showed that a Social Democratic government was incapable of taking decisions, which LO [the Swedish Trade Union Confederation] opposed. Therefore, the inspection of legislation, which eventually was proposed, was unlikely to be far reaching enough. Thus, it was considered wisest to go for the proposed negotiation agreement, which under all circumstances would lessen the problem of industrial action and which also could open up possibilities for a revised legislation' (Sandgren, 2002, p. 44).

Just as the return of the Social Democrats to office in Sweden in 1994 served to increase employers' incentives to take part in coordinated bargaining, the election of the Conservative government in the UK in 1979 served to decrease employers' incentives for wage coordination in Britain. During the 1980s, British

unions' freedom to organise industrial action became heavily circumscribed; union members were provided with new rights against their unions, and legislative guarantees for union recognition were removed. It appears likely these changes in the legislative framework have helped to shape British employers' new, and more hostile, view of unions in general and coordinated wage bargaining in particular (Howell, 1995, p. 161).

Thus, there are reasons to expect government partisanship to affect the willingness of both unions and employers to coordinate wage bargaining. In the early literature on partisanship and welfare-spending, the emphasis was on the division between socialist or social democratic parties and centre/right parties. More recent research points to the fact that the most important division may be that between left/centre parties, on the one hand, and right parties on the other (cf Moene and Wallerstein, 2001). Along the lines of this argument, I measure government partisanship as share of cabinet seats held by right-wing parties.

To sum up, I use five different indicators of actors' willingness to coordinate wage bargaining: union density, monetary policy, trade openness, financial openness, and government partisanship.⁹ Before turning to the empirical enquiry, however, we should consider a last type of explanation, which – if correct – suggests that wage bargaining institutions are not so much the creation of willing and able intentional actors but the result of earlier choices.

The path dependence argument

In recent years, it has become increasingly popular in the social sciences to invoke the legacy of the past as an independent explanation of various contemporary phenomena. The research on wage bargaining institutions is no exception in this respect. Writing about inter-country variations in the institutional structure of wage bargaining, Robert Flanagan notes that '[a] tendency to view such variations as the outcomes of historical accidents has produced little research on this question' (Flanagan, 1999, p. 170). The idea that early institutional choices often will have a decisive effect in determining later ones serves as the basic justification for treating wage bargaining institutions in this way. Institutional

⁹ Certainly, one can think of additional variables affecting actors' willingness to coordinate wage bargaining. Unemployment and production technology are two such variables. The former variable was left out of the analysis due to concerns of endogeneity; that is, low unemployment is often regarded as an outcome of wage coordination rather than its cause. (However, when included, the coefficient of unemployment turns out to be insignificant in most specifications.) When it comes to production technology, it has been argued that coordination of wage bargaining has become more costly over time (especially for employers) as a result of the reorganisation of work. Unfortunately, no hard data exist on this alleged shift in production technology. I have tried to capture this shift by proxies such as R&D intensity and the percentage of industrial employment. Regardless of conceptualisation, the effect is insignificant.

choices are said to be path dependent. That is, once a country has embarked on a specific institutional path, it rarely changes to another (North, 1990).

Many scholars claim that path dependence is the main reason why differences in labour market institutions across countries persist despite increased internationalisation. Ferner's and Hyman's concluding remarks are representative of a nascent conventional wisdom:

‘Institutions may be the crystallisation of specific class forces and balances of power, but once established they have a life and reality of their own, independent of political (or economic) fluctuations or caprices; they are in Streeck's term “sticky”, especially when enshrined in law. This institutional persistence appears to explain much of the variability in countries' responses to common influences in the 1980s' (Ferner and Hyman, 1992, p. xxxiii).¹⁰

It is a problematic fact, however, that the nature of this relationship, between the past and the present, is badly underspecified in most of the analyses that stress the importance of past experiences. That is, rather than *a priori* spelling out the criteria for when a process is to be characterised as path dependent, there is a tendency to invoke path dependence as a residual category for all sorts of unexplained institutional stickiness. But, we need to apply the same criteria for establishing path dependence explanations as we do for other kinds of explanations. That is, in order to prove that some of the variance, in bargaining practices, is due to path dependence, we must: i) establish associations between choices at different points in time, ii) make sure that we posit the correct time order, and iii) show that the effect of previous choices is non-spurious. Most scholars would agree that an explanation is strengthened if we are able to identify the mechanisms by which earlier choices affect later ones.

While the temporal order is unusually unproblematic in this case, and the observed stickiness in wage bargaining institutions supports the fact that there is an association between actors' decisions at different points in time, most accounts of path dependence leave much to be desired as far as isolation and discussion of mechanisms are concerned. However, before discussing the shortcomings of many path dependence explanations in these respects, we need to address the non-trivial question of precisely what is meant by the term ‘path dependence’.

The concept of path dependence is used in many different ways. In its broadest sense, the term amounts to little more than the loose assertion that

¹⁰ The same view is expressed by Traxler et al. (2001). In a chapter named ‘The Prevalence of Path Dependency’, they suggest that ‘high variation in developments across [labour-relations] dimensions matches path dependency instead of the convergence thesis’. For some other works stressing the path dependent character of wage bargaining institutions, see Teulings and Hartog (1998) and Elvander (1990).

‘history matters’. However, as Pierson (2000) points out, in order to be useful as an explanation, path dependence needs to be more carefully defined. Following Arthur (1994), Pierson suggests that what distinguishes path dependent processes from other kind of processes is that they are self-reinforcing; that is, the probability of taking further steps along the same path increases as one initially decides to move down a specific one.¹¹

In an often-cited article, Mahoney (2000, p. 511) questions this definition by arguing that the concept of contingency should be invoked in the definition of path dependence. This is because ‘in a path-dependent sequence, early historical events are contingent occurrences that cannot be explained on the basis of prior events or initial conditions’. Such a conceptualisation of path dependence would, however, have absurd consequences, since it entails that the extent to which the world is path dependent depends on current scientific knowledge. That is, the world must be assumed to become less path dependent as science advances.¹² Hence, Pierson’s definition of path dependence seems preferable to that advanced by Mahoney. By defining path dependence in terms of self-reinforcement we avoid both the danger of using a too wide definition (eg history matters), and that of using a too narrow definition (eg by invoking the requirement of contingency). Hence, in what follows I take path dependence to refer to situations *in which earlier choices (for whatever reason they are made) increase the probability that the same choices will be made in the future.*

The decision to reserve the term ‘path dependence’ for truly self-reinforcing processes has more far-reaching consequences for the study of such dependence than most scholars writing on the topic seem to have realised. Most importantly, it means that not all instances of institutional stickiness are due to path dependence. Only in cases where sources of institutional stability are endogenous to the institutions themselves should we speak of path dependence. In their eagerness to propose path dependence as the main explanation for institutional and policy stability, far too many researchers forget the old dictum that association is not the same as causation. That is, before we can conclude that the stability of wage bargaining institutions is due to path dependence, we must rule out other sources of continuity.

In particular, we need to distinguish between the institutional persistence that arises because previous choices affect actors’ incentives and opportunities in the future, and the persistence that arises because of unobserved heterogeneity or serial correlation in latent factors. To take but one example, it has been argued that divergence in industrial relations institutions can be linked to a variation in fundamental social norms across countries (Flanagan, 1999, p. 1 170). If this

¹¹ In economics, such processes often go under the name of increasing returns.

¹² The problem seems to be that Mahoney conflates ontological and epistemological questions: *What is the cause? How do we know whether it is the cause?*

suggestion is correct, but we are unable to measure norms explicitly (which is often the case), differences in social norms will give rise to permanent differences in countries' propensities to achieve wage coordination. If we fail to control for these permanent differences across countries, it will appear that past coordination makes future coordination more likely, even if previous choices have no true structural effect on future choices. A similar problem will arise if the countries are hit occasionally by transitory shocks, making coordination more or less likely. Heckman (1981b) refers to these two sources of persistence as true and spurious *state* dependence. Given the problem at hand, I speak instead of true and spurious *path* dependence.

Not only do many studies of path dependence fail to distinguish between different sources of stability, but they also fail to distinguish between different *mechanisms* of path dependence. This is problematic, since the exact nature of path dependence is contingent on the mechanisms giving rise to it. To decide whether or not path dependence is present in a particular case we must know exactly what to look for. Among the scholars who have paid some attention to the mechanisms of path dependence, the conventional view seems to be that institutional choices can be self-reinforcing for either one of two different reasons.

First, self-reinforcement might be because the establishment of new institutions is associated with high fixed costs. Having incurred the costs, the argument goes, choice-sets for future decisions change because actors do not have to incur costs anew for so long as they stick to the current institution (cf Traxler et al., 2001; Heckman, 1981b).

Second, it has been suggested that institutions may be path dependent because actors adapt to the opportunity structure defined by the institutions; that is, a symbiotic relationship between the institutions and the actors crystallises over time. In an innovative piece, Pierson and O'Neil Trowbridge (2002) claim that the basis for such a symbiotic relationship, between actors and institutions, is that institutions foster the development of assets that are specific to the continued operation of the institutions themselves. These institution-specific assets accumulate with the passage of time, they argue, and therefore 'all other things being equal, an institution will be more resilient, and any revisions more incremental in nature, the longer the institution has been in place' (Pierson and O'Neil Trowbridge, 2002, p. 12). This remark points to a key difference between these two mechanisms of true path dependence. While the fixed cost mechanism implies that current choice is only affected by most recent choice, the asset specificity mechanism suggests that choices made further back in the past are important determinants of current choices.

Therefore, just as it is necessary to specify the different factors affecting unions' and employers' willingness and ability to coordinate wage bargaining in order to evaluate the two arguments, it becomes necessary to specify the exact

nature of the relationship between the past and the present in order to evaluate the path dependence argument.

From theory to empirical test

The lack of willingness and lack of ability arguments are fairly straightforward to test empirically. We simply include indicators of actors' willingness and ability to coordinate wage bargaining as independent variables in the analysis and evaluate their explanatory power. The question of how to test the path dependence argument, however, requires some further thought.

As explained in the previous section we are faced with at least two problems when investigating the extent to which any decision regarding wage bargaining institutions is characterised by path dependence. First, we need to specify *how* past choices affect current ones. Second, we need to distinguish between true and spurious path dependence. In order to address these problems we need to study the development of wage bargaining institutions over time; that is, the problem is not of a static but a dynamic nature, and must therefore be analysed in dynamic terms.

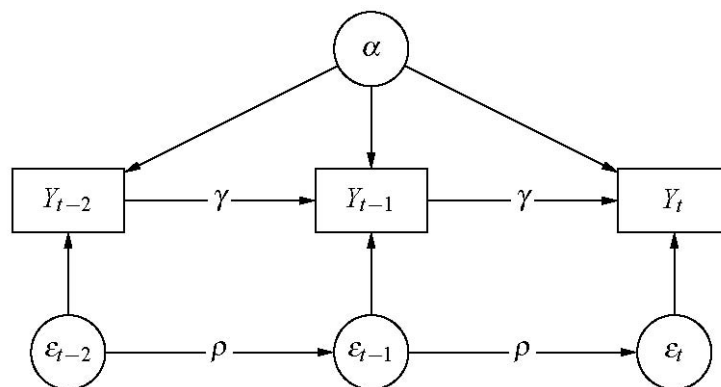


Figure 2.3. A dynamic statistical model.

Figure 2.3 illustrates a simple dynamic model with three time periods. At each point in time we observe a specific choice of bargaining arrangement (Y) in each of the countries under study. The question to be answered is whether or not the choice at a later point in time, ie Y_t , is affected by the choice made at an earlier point in time, ie Y_{t-1} . For example, if the mere fact that wage coordination was coordinated last year makes it more likely that bargaining will be coordinated this year, the process can be said to be path dependent. The parameter measuring the effect of the lagged dependent variable, γ , will then be positive and significantly different from zero. In this example it is assumed that the current decision – whether or not to coordinate bargaining – is only affected by the most recent choice, because there is no causal arrow running from Y_{t-2} to Y_t . In the statistical literature this kind of model is known as a *first-order Markov* model. Although

this is the most commonly used model, it is by no means the only one available. Indeed, there are an infinity of ways in which past choices can exert influence over current ones. For instance, the choices at $t-1$ and $t-2$ may both exert an independent effect on choice at time t , or the decision taken at the last time period may be expressed as a function of some weighted average of the earlier two decisions. Therefore, to be able to test the path dependence explanation we must first decide on the shape of the lag structure; that is, we need to specify exactly how the past affects the present.

Given the large number of alternatives, we should be guided by substantive theory when making this choice. As I explain in greater detail below, I will experiment with three different *empirical* conceptualisations of path dependence, each of which can be derived from a certain *theoretical* conceptualisation of the mechanisms giving rise to such dependence. In addition to the first-order Markov model, according to which the probability of coordinating this year is a function solely of the choice in the immediately preceding period, I will also make use of the so-called *Pólya* and *Renewal* models (Heckman, 1981b). According to the *Pólya* model, the choice of wage coordination at time t is influenced by all previous years of coordinated bargaining. That is, wage bargaining is taken to be more likely to be coordinated in a country that has experienced a total of ten years of coordinated bargaining in the past compared with a country that has only experienced a total of five years of past coordination. Unlike the *Pólya* model, the *Renewal* model asserts that the current choice of coordination is not affected by all previous years of coordination but only by the *length* of the most recent unbroken ‘spell’ of coordination. This implies that bargaining is more likely to be coordinated in a country in which bargaining has been coordinated the last six years than in a country in which bargaining has been coordinated the last two years.

The main reason for choosing these three different conceptualisations of path dependence is that each of them is associated with a specific idea of the mechanisms giving rise to institutional stickiness (see previous section). If the reason for institutions being sticky is that the establishment of new institutions imply high fixed costs, path dependence should take the form of a first-order Markov model. Because the effect of the fixed costs is fully accounted for in the most recent choice, choices further back in the chain provide no additional information. However, if path dependence arises because of asset specificity, a *Pólya* or a *Renewal* specification seems more appropriate, because both these processes imply that it becomes harder to change an institution the longer it has been in place. If we believe that all institution-specific assets are destroyed once the institution is changed we should model path dependence as a *Renewal* process, while we should opt for the *Pólya* specification if we believe that once acquired the assets retain their value forever.

However, as Finkel (1995, p. 70) points out, successful causal inference in a dynamic context ‘depends not only on specifying the proper lag structure but also on controlling for potentially contaminating effects of outside unmeasured variables on a causal system’. Turning back to Figure 3.2 we can see that the choice of wage coordination at time t is not only affected by the coordination decision at time $t-1$ but also by the unmeasured factors α (alpha) and ε (epsilon).¹³

The term α is a shorthand notation for all *time-invariant* unmeasured variables that affect the likelihood of coordinated bargaining (eg social norms). Because the effect of these time-invariant unmeasured variables usually differs across countries (eg the Germans might not hold the same norms as the Canadians) α is commonly referred to as a *unit specific effect*. The term ε , in the figure, refers to all the time-varying unmeasured variables that affect the propensity of coordination in a country at any given point in time. Although these variables change in value over time they can be rather persistent; that is, the values of the variables at time t may depend on the values they took on in the previous period. The strength of this persistence will depend on the *autocorrelation parameter* ρ (rho). If ρ equals 0.5 this means that 50 percent of a change in ε last year will carry over to ε this year, while if ρ equals 0 the time-varying unmeasured variables will be independent over time. When ε , as is the case here, is only affected by its most recent value the autocorrelation is said to be first-order.

Figure 2.3 makes clear why we need to distinguish between true and spurious path dependence. As can be seen, a potential positive correlation between values on the dependent variable at two different points in time, eg Y_t and Y_{t-1} , can emanate from at least three different sources. First, it can be due to a true structural effect of Y_{t-1} on Y_t (ie $\gamma > 0$). Second, the correlation can be caused by the unit specific effects (α); for example, if the Germans hold a cooperative norm that makes it more likely that they will coordinate wage bargaining at any point in time, this ‘unmeasurable’ norm will serve as a common source variable, creating association between the choices of wage bargaining institutions in Germany at different points in time. Important to note, however, is that in this case the association between the choice at Y_t and Y_{t-1} is illusory rather than real, since it is not due to a genuine causal effect of earlier decisions on later ones, but merely to the fact that the decisions at both points in time share a common source. Third, the correlation may be due to persistence in the time-varying unmeasured variables (ε). This will be the case if the autocorrelation parameter (ρ) exceeds 0. And just as the unit specific effects will give rise to an illusory

¹³ Obviously, the decision at time t is also affected by a number of observed variables, such as the different indicators of the actors’ willingness and ability to coordinate bargaining, but since these variables do not introduce any additional complications we can ignore them for the moment.

association between bargaining institutions at different points in time, so will a positive correlation among the time-varying unmeasured variables.

As previously argued, we should reserve the term path dependence for truly self-reinforcing processes. That is, we should only speak of path dependence when the correlation between Y_t and Y_{t-1} is due to a true structural effect of the value of the dependent variable at the earlier time period, not when the correlation is due to the effect of the different unmeasured variables (α and ε). Thus, to be able to distinguish between true and spurious path dependence we need to separate the true structural effect of previous choices from the effect of the unmeasured variables. Or, in somewhat more technical terms, in order to get a correct estimate of the causal effect (γ) of the past on the present we need to control for unit specific effects (α) and autocorrelation in the time-varying unmeasured variables (ρ).

As I explain in the next section, the way to do this is to relax the usual regression assumption of independent error terms. More specifically, I will estimate a dynamic probit¹⁴ model that attempts to control for unit specific effects by the inclusion of so-called random effects, while the problem of autocorrelated time-varying variables are handled by assuming a first-order autocorrelation structure for the error terms (see Heckman, 1981b). This statistical model and the reasons for choosing it are described in greater detail in the next section. However, since this section is somewhat technical by nature, the reader who is more interested in the substantive findings than in the nitty-gritty of the statistical model underpinning these findings may turn directly to the empirical results.

The statistical model

As discussed above, I have here chosen to work with a dichotomised coordination measure. This suggests that we should move beyond linear regression in order properly to test different theories of coordination. The range of applicable statistical techniques is further reduced by the fact that testing for path dependence requires a specification that is flexible enough to allow dynamics to enter the model.

A general dynamic discrete choice model that meets our requirements has been presented by Heckman (1981b). Denoting country i 's propensity to coordinate at time t as y_{it}^* , and letting the dummy variable y_{it} signify the actual occurrence of coordination, this model can be written as:

¹⁴ Probit regression is used instead of ordinary linear regression since the dependent variable is dichotomous.

$$y_{it}^* = \mathbf{x}_{it}\beta + \sum_{j=1}^{\infty} \gamma y_{i,t-j} + \lambda \sum_{s=1}^{\infty} \prod_{j=1}^{\infty} y_{i,t-j} + \sum_{j=1}^{\infty} \delta y_{i,t-j}^* + v_{it}. \quad (2.3)$$

The first term of the right hand side of this expression represents the effect of the exogenous variables on current propensity to coordinate, ie the variables measuring the actors' willingness and ability to coordinate wage bargaining. The second term captures the effect of the entire past history of the process on current choices. The third term represents the cumulative effect on current choices of most recent continuous experience (in a particular state). And, the fourth term captures the effect of previous propensity to coordinate wage bargaining on present propensity.

A wide variety of dynamic processes can be obtained by imposing appropriate restrictions on the general model in Equation 2.3. The assumption that the current decision – whether or not to coordinate bargaining – is only affected by the most recent choice generates a first-order Markov model, whereas the assumption that the proper determinant of the current decision instead is the *propensity* to coordinate in the last period (ie $y_{i,t-1}^*$) gives rise to a first-order *latent* Markov model. If the entire history of previous choices is assumed to be relevant to current choices, we get a Pólya process. Finally, the assumption that only the most recent continuous duration in a state, in or out of coordination, is important to current choice generates a Renewal process (Heckman, 1981b, p. 117).

To some adherents of path dependence explanations this wide range of possibilities – for specifying the relationship between the past and the present – may come as a mixed blessing, since it forces them to be more explicit about exactly how history influence future events. Is it in the form of an ordinary Markov model, a Pólya process, a Renewal process, or even a latent Markov model?

Hence, even if we decide to rule out the possibility of specifying path dependence as a latent Markov model, we still have to make a choice between three different conceptualisations of path dependence.¹⁵ With enough observations and extraordinarily good data, it might be possible to distinguish between these different forms of path dependence on empirical grounds by including different ‘transformations’ of the lagged dependent variable in the same equation and investigating which effects are significant. Unfortunately, a restricted amount of data precludes this strategy in the case at hand. Instead, I will have to rest content

¹⁵ Since most scholars agree that path dependence should refer to the effect of past occupancy of a state on current choices rather than the effect of past propensity to occupy a state on current choices, it appears reasonable to rule out the possibility of specifying path dependence as a latent Markov model.

with the second-best option of estimating different models in order to see if the substantive results are consistent across different specifications.

Before we can go ahead with estimating the model in Equation 2.3 we must pick a specific distribution for the error term. If the disturbances are assumed to be normally distributed and independent across both time and countries, we will obtain the ordinary probit model. However, as pointed out earlier, institutions can be sticky for two different reasons – either because previous choices have a structural effect on future choices by affecting actors’ incentives and opportunities, or because of unobserved heterogeneity and serial correlation in latent factors. While the first source of persistence poses no problems for the ordinary probit specification, the second does – since it will generate dependence among the errors.

If we fail to account for unit heterogeneity and serially correlated disturbances (when they are present), we do not only run the risk of getting biased and inefficient coefficient estimates, but also of highly overestimating the effect of path dependence, since the lagged dependent variable will act as a proxy that picks up much of the effect of unmeasured variables. I will try to account for potential dependence in the errors by allowing for both unit specific effects and first-order serial correlation. More formally, the errors are assumed to take on the following structure:

$$v_{it} = \alpha_i + \varepsilon_{it} \quad \text{with } \varepsilon_{it} = \rho\varepsilon_{i,t-1} + \eta_{it} \quad (2.4)$$

where η_{it} is independent and identically distributed over time and countries with a normal distribution, and ρ is an autocorrelation parameter. The unit specific effects, α_i , can be captured by the inclusion of either fixed or random effects. Most scholars prefer the former approach, since the use of random effects comes at the cost of the additional assumption that the unit effects are uncorrelated with all independent variables. Nevertheless, I will here opt for the random effects approach.¹⁶ The most important reason for this choice is that the fixed effects approach implies that we would have to discard all observations on countries in which wage bargaining institutions have remained unaltered during the period of interest. Hence, we would end up with an endogenous sample from which all stable systems have been excluded. This feature of the sample would be particularly troublesome when investigating the relative merits of the path dependence explanation, since it is stability, more than anything else, that the theory sets out to explain. Hence, α_i is here taken to be a random variable with a zero mean.

¹⁶ Because most of the independent variables used in this analysis are highly stable over time, multicollinearity problems preclude the use of Chamberlain’s (1984) correlated random effects estimator, which would otherwise have been a possible solution.

As a result of allowing for autocorrelation in the error terms, the solution to Equation 2.3 will require solving higher order integrals. By today's computer standards, numerical solutions to such problems become unfeasible as soon as the number of time periods exceeds three or four. Recent results on accurate simulators have, however, enabled the estimation of considerably longer time series (Greene, 2000, p. 872). The dynamic probit models of the next section are estimated by the method of maximum simulated likelihood (MSL), using the GHK simulator that has proven to be the fastest and most accurate of the 'classical' simulators (cf Train, 2002; Hyslop, 1999).

Empirical results

To test different explanations of wage coordination I pooled time series data for the period 1970-1998 across 20 industrialised democracies. The periodisation is mainly a result of available data. Since the analysis is restricted to democracies, two countries, Spain and Portugal, enter the sample later than the others. Portugal enters in 1981, and Spain in 1982. In both cases there is a delay between democratisation and entrance, which is due to the fact that there is a shortage of reliable data for the first few years following the democratisation. As I explain in greater detail in Appendix 2.2, I have been forced to draw on a number of different sources in order to include as many countries as possible in this study. Data on at least one of the three variables, union concentration, union centralisation, and employer centralisation, for five different countries – France, Ireland, New Zealand, Spain and Portugal – draw on sources that are not fully comparable with those of other countries. Obviously, it is difficult to assess exactly how such differences affect the results. It is, however, comforting to note that all of the major results remain intact even if we limit our interest to the 15 countries for which fully comparable data, for all variables, exist. To handle remaining missing data problems I rely on multiple imputation, using the EMis algorithm proposed by King et al. (2001).¹⁷ Finally, to alleviate possible endogeneity, all explanatory variables are lagged by one year.

¹⁷ Data are missing on union concentration. In four countries, Australia, Canada, Japan, and the US, measures on the variable are only available every five years. For these countries, interior missing values were filled in by linear *interpolation*. Because the change in Herfindahl indexes is small, this way of handling interior missing data should have little effect on the substantive results (cf Wallerstein, 1999). However, since *extrapolation* is considerably more model dependent than are both interpolation and multiple imputation, I used multiple imputation to complete the series (ie to fill in the values that otherwise would have required extrapolation). The AMELIA software package (Honaker et al., 1999) was used to create 10 imputed datasets.

Different errors, different results

I examine first the results from the most parsimonious model specification available for the case at issue, ie an ordinary probit model only slightly complicated by the inclusion of values of the lagged dependent variable on the right hand side of the regression equation. This approach has seen heavy use in many areas of political science. For instance, it is this kind of model that leads Wallerstein and Western (2000, p. 370) to suggest that wage bargaining institutions are path dependent, since ‘[c]ountries are more likely to centralise wage-setting when wage setting was centralised in the previous year’.

Table 2.1. Determinants of wage coordination, restricted model.

	Markov	Pólya	Renewal
Constant	-2.972 * (1.194)	-2.864 (1.647)	-3.112 * (1.489)
<i>Willingness</i>			
Union density	0.072 * (0.032)	0.150 ** (0.051)	0.116 ** (0.046)
Union density squared	-0.081 * (0.032)	-0.175 ** (0.057)	-0.127 ** (0.050)
Trade openness	-1.145 * (0.449)	-2.364 ** (0.655)	-1.229 * (0.592)
Financial openness	0.021 (0.066)	-0.061 (0.093)	-0.011 (0.079)
Government partisanship	-0.409 (0.266)	-0.723 * (0.358)	-0.648 (0.353)
Central bank independence	-1.326 (0.847)	-1.426 (1.055)	-1.327 (0.975)
<i>Ability</i>			
Union concentration	0.229 ** (0.053)	0.308 ** (0.069)	0.255 ** (0.068)
Peace obligation	0.959 * (0.415)	1.324 ** (0.506)	1.306 ** (0.465)
Union centralisation	0.161 (0.200)	0.493 (0.362)	0.253 (0.318)
Employer centralisation	0.068 (0.106)	0.066 (0.170)	0.151 (0.147)
<i>Path dependence</i>			
Past coordination	2.096 ** (0.281)	0.105 ** (0.027)	0.145 ** (0.040)
Number of cases	557	557	557

Note: * indicates significance at the 0.05 level, two-tailed test, ** at the 0.01 level, two-tailed test. Robust standard errors are given in parentheses.

The results from this specification are shown in Table 2.1.¹⁸ The first column gives the results from the estimation of a first-order Markov model; that is, only the most recent lag of the dependent variable (y_{t-1}) is included as a predictor of current coordination. Columns two and three contain the results from Pólya and Renewal specifications, respectively. That is, in the former case the current propensity of coordination is regarded as depending on all previous years of coordination, whereas, in the latter case, such propensity is assumed to depend exclusively on the most recent continuous experience of wage coordination.

A first thing to note is that the results are rather consistent across the different specifications, since all but one of the coefficients have the same sign in all three columns. In all instances except one, the models are also in agreement with regard to which coefficients are statistically significant at the 0.05 level. Among the variables measuring actors' willingness, only union density and trade openness reach this level of significance across all specifications. That the effect of increased unionisation is hump-shaped, and not linear, as suggested by Holden and Raaum (1991), is borne out by all three models. This is seen from the fact that while the coefficient of union density is positive, the coefficient of the same variable squared is negative.¹⁹ The coefficient for trade openness is negative and significant in all specifications. Thus, coordinated wage bargaining becomes less likely as an economy becomes more open in terms of trade.

Whereas the data suggest that trade openness has detrimental consequences for the prospect of establishing and maintaining coordination, we find no similar effect for financial openness. Not only does the sign of its coefficient differ across models, but it is also highly insignificant. The coefficients for government partisanship and central bank independence are signed according to our expectations; that is, coordination becomes less likely as the government becomes more rightist and as the central bank becomes more independent. However, with one exception, neither of these effects is large enough to be statistically significant.

While the effects of different indicators of willingness are ambiguous (as shown in Table 2.1), the variables measuring actors' ability fare only slightly better. As hypothesised, coordination is considerable more likely in countries with a less fragmented labour market. This can be seen from the coefficient for union concentration, which is positive and highly significant in all instances. It also seems to be the case that the likelihood of coordinated bargaining increases in the presence of peace obligations. Although signed in the anticipated direction,

¹⁸ All the statistical results in this paper were generated using Ox version 3.20 (Doornik, 2001). Ox is a highly flexible matrix programming language (similar to GAUSS), which is free for academic use. The program can be obtained from www.nuff.ox.ac.uk/Users/Doornik. The code for the dynamic probit model estimated in this paper was written by the author, and is available upon request.

¹⁹ In order to make estimation easier, union density squared has been divided by 100.

neither union nor employer centralisation reaches a conventional level of statistical significance.

If the results signal some ambiguity with respect to the effects of the actors' willingness and ability, this is not the case with respect to the effect of previous choices. On the basis of the results presented in the table, one has to be neither an economic historian nor a true believer in the legacy of the past to come to the conclusion that past choices (for whatever reason they were made) are one of the most important determinants of current wage coordination. This conclusion remains valid regardless of whether path dependence is specified in a first-order Markov, a Pólya or a Renewal model. The coefficient for past choices is large in magnitude and highly significant in all models.

An important caveat, however, is that all these conclusions rest on the crucial assumption that the error terms are independent and identically distributed across both time and countries. The question is whether this is a tenable assumption. In fact, there are both theoretical and methodological reasons speaking in favour of relaxing this assumption. On strictly theoretical grounds, the problem is that, for so long as we assume the errors to be independent, we cannot really know whether the large coefficient for past experiences is due to a true structural effect of previous choices or due to unobserved heterogeneity across countries. Or, to put it slightly differently, we do not know if the path dependence effect is true or spurious.

In Table 2.2, I present the results from the same three models, when both random effects and first-order serial correlation in the errors are allowed for (see Equation 2.4). First, we can note that the autocorrelation parameter (ρ) enters all models with a highly significant coefficient, indicating that the assumption of independent errors is indeed untenable. The magnitude of the coefficient indicates that between 70 and 80 percent of a shock in any time-varying unmeasured variable carries over to the next year. Although rather large in magnitude, the random effects (σ_{α}) parameter, which measures the unit specific effects, only reaches statistical significance in the Markov model. This could be taken to indicate that there is not enough variation in the data precisely to distinguish country-specific effects from the impacts of some of the independent variables that are highly stable over time. (Note here that the variable indicating the existence of peace clauses is in fact time-invariant.) However, this potential multicollinearity problem mainly seems to affect the standard error of the random effects parameter, not the standard errors of the independent variables, which are the ones we are interested in. Indeed, the standard errors of most coefficients are smaller in Table 2.2 than they are in Table 2.1. Therefore, there is little reason to fear that this feature of the data should seriously distort our substantive conclusions.

Table 2.2. The determinants of wage coordination, full model.

	Markov	Pólya	Renewal
Constant	-3.386 * (1.657)	-3.202 (1.696)	-3.304 * (1.674)
<i>Willingness</i>			
Union density	0.108 * (0.041)	0.119 ** (0.044)	0.116 ** (0.042)
Union density squared	-0.121 ** (0.039)	-0.136 ** (0.043)	-0.132 *** (0.040)
Trade openness	-1.922 ** (0.541)	-2.062 ** (0.567)	-1.926 ** (0.511)
Financial openness	0.106 (0.073)	0.084 (0.093)	0.096 (0.079)
Government partisanship	-0.523 * (0.247)	-0.510 * (0.228)	-0.527 * (0.237)
Central bank independence	-1.852 (1.252)	-1.821 (1.230)	-1.884 (1.193)
<i>Ability</i>			
Union concentration	0.258 ** (0.080)	0.250 ** (0.082)	0.249 ** (0.080)
Peace obligation	1.265 * (0.620)	1.278 * (0.619)	1.308 * (0.626)
Union centralisation	0.482 * (0.248)	0.564 * (0.261)	0.540 * (0.254)
Employer centralisation	0.002 (0.158)	0.016 (0.142)	0.025 (0.141)
<i>Path dependence</i>			
Past coordination	0.285 (0.207)	0.016 (0.026)	0.016 (0.017)
<i>Heterogeneity</i>			
	0.698 * (0.139)	0.793 ** (0.079)	0.785 ** (0.074)
	0.461 * (0.234)	0.400 (0.288)	0.398 (0.292)
Number of cases	557	557	557

Notes: * Indicates significance at the 0.05 level, two-tailed test, ** at the 0.01 level, two-tailed test. Robust standard errors are given in parentheses.

Further, the consistency of the effects across the different specifications in Table 2.2 is even more striking than it was in the previous analysis (reported in Table 2.1). This time all coefficients have the same sign in all models, and there is also complete agreement between the models on which variables are significant and which are not. The variables measuring actors' willingness to coordinate seem to fare somewhat better when we allow for dependent error terms. Again, both the effects of union density and trade openness remain significant, at the 0.05 level, regardless of how path dependence is conceptualised. While the prospect of

voluntary wage coordination in a country is highest for intermediate levels of unionisation, it decreases the more open an economy becomes in terms of trade. In the previous analysis, though correctly signed, the government partisanship variable failed to achieve statistical significance in two out of three models. Once autocorrelation and country-specific effects are controlled for, however, the variable enters with the expected sign, and is also statistically significant in all instances. Thus, the results suggest that voluntary coordination is less likely when rightist parties control the government.

When it comes to evaluating the effects of central bank independence and financial openness our previous conclusions remain valid. While the coefficient for the former variable indicates that voluntary coordination becomes less likely as the independence of a central bank grows, the effect is not statistically significant. The data also suggest that actors' willingness to coordinate wage bargaining is somewhat higher when a country puts few restrictions on financial transactions; however, this effect also fails to achieve statistical significance.

Turning to the variables measuring unions and employers' ability to coordinate wage bargaining, we see that both the dummy variable indicating the existence of peace obligations and the union centralisation variable have significant effects in the anticipated direction. Hence, voluntary wage coordination is more likely to be established and maintained if peace obligations can be backed by legal means, and extensive powers have been vested in union confederations. However, once union confederation authority is controlled for, the powers vested in employer confederations lose most of their importance. Thus, contrary to what many scholars have been suggesting, these results indicate that strong confederations on the union side are more important for voluntary wage coordination than are strong confederations on the employer side.

The effect of union concentration remains almost unaltered after introducing correlated errors, which means that the earlier conclusion that the degree of labour market fragmentation is an important determinant of wage bargaining coordination is still valid. The coefficient is large in magnitude and highly significant across all models. Thus, my results do not square well with the results reported by Traxler et al. (2001) and Wallerstein and Western (2000), both of which indicate the relationship to be the opposite. The reason why my findings differ from those of the former study is that the latter focus solely on inter-confederal concentration, whereas my measure of concentration reflects *both* inter-confederal *and* intra-confederal concentration. Using the same measure as Traxler et al. (2001) I obtain the same results as they do, ie that union concentration makes voluntary coordination less likely. However, this approach misses the fact that inter-confederal and intra-confederal concentration are substitutes. The data tell us that it is usually the case that a country either has a smaller number of more heterogenous union confederations or a larger number of more homogenous ones. (The bivariate correlation between the two types of

concentration is around -0.5 .) Thus, any valid measure of union concentration should reflect both inter-confederal and intra-confederal concentration.

The most striking difference between Table 2.1 and Table 2.2, however, is the effect of past experiences. When controlling for country-specific heterogeneity and serial correlation, the effect of past experiences of coordination on the current decision is no longer significant, at the 0.05 level, regardless of whether path dependence is conceptualised as a first-order Markov, a Pólya or a Renewal process. Hence, the large effect of past experiences in Table 2.1 seems to have been spurious; that is, the large coefficient of the lagged dependent variable arose because this variable acted as a proxy for many of the unmeasured factors not included in the model. Before we draw any firm conclusions in this regard, however, we need to consider at least three caveats.

First, we might ask if the lack of support for the path dependence explanation could be due to controlling for its mechanisms. Could it be that the path dependence effect works through some of the other variables included in the model? Although it appears rather far-fetched that wage coordination could affect either trade openness, the existence of peace obligations, or the composition of the government to any great extent, it might be argued that previous coordination could be important for current union density, concentration, or associational centralisation. If this is the case, we will underestimate the impact of previous choices if we include these variables in the model. Nevertheless, if the effect of coordination in the past works through these variables we would expect them to show a positive trend in those countries where wage coordination has been common in the past. But the data do not lend much support for such a view. While union concentration and associational centralisation are very stable over time in all countries, union density is somewhat more trended. Nevertheless, the correlation between this trend and previous experiences of wage coordination is far from perfect.

A second potential objection is that the zero effect of past experiences is an artefact of trying to squeeze too much information out of the limited amount of data available. This argument, however, would suggest that the reason why past experience is no longer significant is not so much the result of a reduction in its coefficient as an increase in its standard error. That is, by including both random effects and autocorrelation in the model, we would not be able to estimate the effect of the lagged dependent variable as precisely as when we assume the error terms to be independent. Although reasonable, this suspicion is not supported by the data. While the size of the coefficient of past experience differs by a factor of between six and nine across the two analyses, the standard error remains more or less the same.²⁰

²⁰ A third line of attack against the results would be to raise the well-known problem of an initial condition that plagues the dynamic panel data model. Here, the initial condition is

Thus, I do not believe that my findings are the result of methodological shortcomings. Admittedly, the idea that wage bargaining institutions are sticky because they are associated with ‘high’ fixed costs (the Markov model), seems to fit data somewhat better (less worse) than the idea that they are sticky because of asset specificity, but neither of the effects is statistically significant. Further, the effects are very small in substantive terms. According to the Markov model, the occurrence of coordination at time t_0 amounts to little more than a four percent increase in the probability of coordination at time t_1 .²¹ Therefore, even those who reject statistical significance as a necessary condition for substantive significance would be led to the conclusion that path dependence is not a salient feature of wage bargaining institutions.

This finding is obviously rather surprising, since so many students of wage bargaining institutions have taken path dependence for granted. The problem, I believe, is that these previous studies have not been able fully to distinguish country heterogeneity from a true structural effect of previous choices. Indeed, this is particularly hard to do in intensive case studies, which make up the lion’s share of the data supporting the view that wage bargaining institutions are highly path dependent. It is, however, important to point out that my results do not imply that wage bargaining institutions are ‘unsticky’, only that this stickiness is due to the stability of the observed and unobserved factors determining these institutions, not to any genuine structural effect of past choice.

Conclusions

This chapter has sought to answer the question why wage bargaining is coordinated in some countries but not in others. Three broad models of coordination have been identified and tested. The first model points to the variation in actors’ willingness to coordinate, the second to the variation in their ability, and the third – applying the logic of path dependence – to the variation in previous choices (for whatever reasons they were once made). The main finding of this chapter is that path dependence, contrary to the conventional wisdom, is not a salient

assumed to be exogenous. Admittedly, this is a highly restrictive assumption. There are, however, two reasons why I feel rather confident that this assumption does not affect the substantive results as far as path dependence is concerned. First, the bias from failing to deal properly with the initial condition is inversely related to panel length, and here we have a rather long panel (29 years). Hence, we would assume the bias to be rather small, if not non-existent. Second, the initial condition bias will lead us to overestimate the effects of the lagged dependent variables and underestimate the effects of the other variables; that is, if anything, the effects of previous choices should be even more inconsequential than our results suggest. I made an attempt to approximate the initial condition along the lines suggested by Heckman (1981b), but because of the small number of cross-section units it proved impossible to obtain any reliable results.

²¹ This effect refers to the average effect in the sample. For the other two specifications (in the Pólya and Renewal models) the cumulative effect of 28 consecutive years of coordination is less than ten percent.

feature of wage bargaining institutions. Although, the path dependence explanation gets strong support for so long as we stick to the commonly adopted but rather naive assumption of identically distributed and serially uncorrelated error terms, this support disappears as soon as we control for dependence among the errors. Hence, the results of this paper suggest that the often-observed stickiness of wage bargaining institutions is due to the stability of observed and unobserved factors determining these institutions, not to any genuine structural effect of past choices, as suggested by the advocates of the path dependence explanation.

Further, it has been shown that both the actors' willingness and their ability are important determinants of wage coordination. However, unlike what many scholars seem to assume, neither incentives nor ability are sufficient conditions for coordination. In order to come to grips with the instability (or stability) of coordinated wage bargaining, we therefore need to understand how these factors interact in bringing about specific wage bargaining institutions. A first step to that end has been taken here.

The results presented in this chapter also suggest several promising avenues for future research in the field. One is further study of the factors affecting actors' willingness and ability. Admittedly, this chapter leaves much to be desired in this respect. It should be possible both to further elaborate on the relationships between different factors, and to find additional variables to include in any model. A second task for future research is to extend the discussion to other spheres of coordination. Indeed, since spheres of coordination have been observed to go together, it might be hypothesised that some of the variables that have proven important for wage coordination can be helpful in understanding coordination in other arenas.

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Appendix 2.1

Coordination Modes

Traxler et al. (2001) distinguish between the following six different bargaining modes.

1. **State-imposed coordination:** the state acts as sovereign power. Wage restraint is enforced by the state through statutory wage freezes, compulsory arbitration, and so on.
2. **Inter-associational coordination:** central-level agreements concluded by the peak associations of unions and employers.
3. **State-sponsored coordination:** central-level agreements concluded by the peak associations but with the state as an additional party (the state does not claim a superior role).
4. **Intra-associational coordination:** internal coordination by the peak associations in relation to their lower level affiliates, but where the collective agreements are formally concluded by the latter.
5. **Pattern-setting coordination:** is indicated by the coexistence of two essential properties: (i) There is an institutionalised timing of bargaining rounds, in that the pace-setting agreement is negotiated first, and all the other collective agreements usually follow; (ii) Bargaining on behalf of a certain sector is pattern setting only when it is the key arena where unions tend to enforce ‘break-throughs’ and where, at the same time, a ceiling is set for standard rates concluded on behalf of other sectors.
6. **Non-coordination.**

As pointed out by Traxler et al. (2001) these coordination modes are not mutually exhaustive, but may coexist. They have tried to handle this problem by coding the pattern whose coverage is most encompassing and whose goals are most closely related to macro coordination. If two modes do not differ in these respects, the mode representing the highest hierarchical level of coordination is counted. For example, state-imposed coordination is supposed to override all voluntary coordination patterns.

Appendix 2.2

Data Sources

Union density: The adjusted union density figures were obtained from three main sources: Ebbinghaus and Visser (2000), Golden et al. (2002), and OECD (2003). The measure is here scaled to range between 0-100.

Trade openness: Measured as imports plus exports as a percentage of GDP. The data are those of Franzese (2002). The measure is here scaled to range between 0 and 2. Data can be found at <http://www-personal.umich.edu/franzese>.

Financial openness: The measure of financial openness used in this chapter is the one suggested and constructed by Dennis Quinn (1997). This measure captures regulations covering foreign direct investment in both directions, as well as investments in securities. The actual measure reflect the laws governments use to regulate international financial transactions, as reported by the IMF. The measure ranges from 0 to 14, with a higher value indicating greater openness.

Monetary policy: The monetary regime is operationalised as the relative independence of the central bank. Following Franzese (2002), central bank independence is measured as the average of five commonly used indexes, which measure both the legal status of the central bank and its reputation for independence. This averaged index ranges from 0 to 1, with a higher number indicating higher degree of independence.

Government partisanship: Measured as the percentage of cabinet seats held by right parties. The coding of parties is based on expert codings; the data were obtained from Armingeon et al. (2000), and scores range between 0 and 1.

Union concentration: Annual figures for the whole period for the Herfindahl indexes for the following ten countries were obtained from Ebbinghaus and Visser (2000): Austria, Belgium, Denmark, Finland, Germany, Finland, Ireland, the Netherlands, Norway, Sweden, Switzerland, Spain and the UK. Annual figures for Italy were obtained starting in 1975. For Australia, Canada, Japan and the US the data made available by Golden et al. (2002) were used. For the latter group of countries data are only available for every five years. Because data on intra-union concentration in France, New Zealand, Portugal and Spain are lacking in both of the above mentioned sources I had to use the data on union concentration presented in Traxler et al. (2001, p. 46) for these cases. Unfortunately, these data are in the form of decade means, and only the aggregate share of the three largest affiliates of the first confederation is presented. The first shortcoming is less severe, since union concentration is usually rather stable over time. The second shortcoming is, however, more problematic, because in order to compute the intra-union Herfindahl-index for these countries we have to assume

that the three largest affiliates are of equal size. Since this is certainly not the case we will underestimate the true concentration in these countries somewhat. As explained in the text the final measure is scaled to range between 0 and 100.

Associational centralisation: The indexes of union and employer centralisation are described in the text. Data for all but four countries are those presented in Golden et al. (2002). In order to collect data for Ireland, New Zealand, Portugal and Spain I had to draw on the indexes of union and employer centralisation presented in Traxler et al. (2001). Since these indexes contain four additional items of centralisation (seven instead of three) they are not fully comparable with the data for the other countries. Therefore, I used the values on the seven-point scale to impute values on associational centralisation for these four countries.

Peace obligation: Traxler et al. present a peace obligation measure taking on four values: *non-existent*, *dubious*, *optional*, and *automatically follows from the agreement*. For reasons presented in the text, I decided to dichotomise this measure. The dubious category poses some problem in this respect. But only Portugal falls into this category, and it can be shown that no substantive results hinge on the recoding of this case. Based on available information, it seems most reasonable to consider the peace obligation to be non-existent in Portugal.

Chapter 3. Gender equality politics: ideas and strategies

Christina Bergqvist

A Swedish gender equality model¹

A century ago, at the time of the transition from an agrarian to an industrial society, there were intense debates in progress about working women and mothers. This led to the politicisation of *womanhood* and *motherhood*. For example, many countries introduced the right to paid or unpaid maternity leave. The question of women's place in the labour force was the object of continual discussion and reconsideration.² The issue of working mothers has been the subject of particular debate. During the 1920s and 1930s, many countries simply imposed bans, prohibiting this group from working, although not in Sweden (Frangeur, 1998). With the passing of time, the discussion has focussed more on women's opportunity to combine labour force participation and family life. Nowadays, in most advanced industrial countries, the issue of women, work, and childcare comes high up the political agenda.³ Further, issues concerning the rights and duties related to fatherhood have obtained greater immediacy within the framework of greater discussion of the changed nature of *masculinity* (Hobson, 2002).

Earlier than elsewhere, the Nordic countries drew attention to the importance of focussing not solely on the woman/mother but also on the man/father. Since the 1970s, the Nordic countries, and especially Sweden, have successively institutionalised an income-earner model based on equal rights and duties for women and for men, for mothers and for fathers. Here, there is a long-standing traditional view of equality that includes not only social class but also gender. This

¹ A Swedish version of this chapter first appeared in *Arbetsmarknad & Arbetsliv* no. 1, 2001.

² If we examine the development of women's employment between 1910 and 1990 we find a U-shaped curve where the employment rate slowly declines between 1920 and 1950 only to increase dramatically after 1960 (Nermo, 1999). The exact shape of the curve depends on the definition of employment used. Researchers are in agreement that the women's employment rate has been underestimated in official statistics. (For a detailed discussion of this point, see Nyberg, 1994.)

³ The reason for this can be found both in the new population crisis that is thought to be looming and in the demands of the women's movement for economic independence and gender equality (Bruning and Plantega, 1999; Hantrais, 2000). Within the EU the birth rate and size of the labour force have sunk to historically very low levels, which in the long term can lead to negative economic growth (Lindh and Malmberg, 1999).

model is founded on the principle that it is the individual rather than the family or married couple that forms the basic unit in the welfare system (Sainsbury, 1996).

Opportunities for combining paid employment with family commitments in Sweden can be traced to three fundamental political policies: separate taxation, well-developed and public-funded childcare, and the provision of public income-related parental leave insurance. These policies, introduced in the 1970s lie at the interface between several policy areas, such as the labour market, family, and taxation. The state's declared aim has been to increase gender equality through the encouragement of women's participation in the labour force, while increasing men's responsibility for the traditional female areas of home and children.

This model institutionalised the dual breadwinner as the official norm, in contrast to the previous norm of the single male breadwinner family (Sainsbury, 1996; 1999; Siim, 1997). I will henceforth refer to this labour market and welfare policy model as the *Swedish gender equality model*. This model is considered to be an important element in what Esping-Andersen refers to as the social-democratic welfare regime (1990).⁴ I emphasise that I am talking about changes in public norms here, meaning those expressed through political reforms and legislation. It is not my intention to measure how far gender equality actually has come, but to analyse the ideas and strategies behind the introduction of a new gender equality model.

The primary aim of this chapter is to analyse the Swedish gender equality model's ideology, and also actors within the political arena at two points in time. Which ideas created the basis for formulating the policies? Which political actors were important for the radical decision in the 1970s to reject the single male breadwinner model in favour of the dual breadwinner model? The second point in time to be analysed is the 1990s when the Swedish gender equality model was brought into question. On the one hand, it was criticised by feminist groups for not being radical enough, on the other by conservatives and neo-liberals who asserted that the fundamental basis of the model should be changed. The so-called bourgeois block, which consists of the liberal and conservative political parties to the right of the Social Democrats, mobilised against the established model. In their eyes, it did not give families sufficient freedom of choice concerning the care of children. Nor, in their view, did the model provide enough

⁴ Sweden can be viewed as the prototype of the welfare-state regime within Esping-Andersen's classification, although Denmark, Finland and Norway can also be included in this category. This social-democratic regime type is characterised, among other things, by universalism, full employment, social-welfare services and social rights based on citizenship. The other two regime types are the conservative, with Germany as the type example, and the liberal, where the US provides an example. The conservative regime type is characterised by social insurance, whose eligibility is based on labour market participation, a high level of familism, and generous transfer benefits to the main breadwinner. In the liberal regime, it is the market, rather than the state, that is the foremost guarantor of individuals' welfare, and public sector welfare provision is means tested (Esping-Andersen, 1990).

room for private solutions and market forces. How was this expressed in the politics pursued and policies implemented? This chapter primarily consists of a comparison, in terms of politics and political actors, between the establishment phase of the 1970s and what can be characterised as the transformational phase of the 1990s. I will not analyse the issues of separate taxation and public childcare in any great detail; instead, I will concentrate on the issues of parental leave and childcare allowances. The analysis will, in the main, be limited to the debates and actors within the parliamentary arena.

A second aim is to critically appraise and discuss the question of *why* the Swedish gender equality model has its distinctive appearance. The explanations in most of the literature emphasise either socioeconomic factors, or aspects relating to the labour movement/social democracy's strength and politics. The first explanatory hypothesis regards gender equality politics as a result of structural relationships, such as good economic development and labour force shortages during the 1960s. According to this argument, the state invested in childcare because women were needed on the labour market. The second hypothesis is more actor-oriented. It regards the focus on childcare and gender equality as an effect of general social-democratic *equality* politics (Hinnfors, 1999). In neither of these cases was it argued that there was a significant gender-political dimension; nor were women's roles and strategies considered, which – as I will demonstrate – can lead to incomplete explanations. My hypothesis is that women as political actors and feminist ideas have had much greater importance for policy formulation in the area of gender equality than is usually recognised in research.

Gender equality – ideas and actors

The body of literature that includes analysis of women's actions and strategies gives conflicting interpretations of the role played by Swedish women in relation to the gender equality model. In comparative studies of Sweden and other western countries, it has been asserted that Sweden pursues feminist policies without feminists. It is said that women have, in many respects, gained a lot from this, but – at least according to one researcher – it was 'not the results of their own efforts' (Gelb 1989, p. 173). In this research, the gender equality model is seen in part as the result of working-class power and special conditions in Sweden. Mary Ruggie, who compared Swedish and British gender and labour market politics, interprets the Swedish gender equality model as a 'by product of the broader configuration of state-society relations', where social policy and economic policy together 'happen to benefit women' (Ruggie, 1984, p. xiv). In this type of analysis, the origins of the gender equality model and its effects are put forward as being more or less unintentional, occurring almost by chance as the result of the power relationships between the social classes. But this conclusion is unjustified, in that it does not include the actions of women and women's

organised activities in the analysis (Mahon, 1997; Florin and Nilsson, 1999; Bergman, 2004). One interpretation is that power relations between the sexes and gender-political actors must be taken into account.

The research that underlines the importance of actors and processes, rather than structures, has shown that women's interests have made a breakthrough in politics. Women's organising, women as actors and women politicians have often had a special influence on policies relating to children and motherhood. Even before women obtained the right to vote, they were able to play a political role in this 'women specific' area (Bock and Thane, 1991; Skocpol, 1992; Koven and Michel, 1993). On the ground in Sweden, historian Renée Frangeur (1998) has shown that women as political actors were significant for the absence of a ban on married women working in the public sector. Another example is the early role played by women in the development of childcare (Hatje, 1999).

An important dividing line between the Nordic countries and other democratic welfare states is that women, earlier than the other countries, established themselves in the highest political organs and on the labour market. In Sweden, the proportion of men in the Swedish Parliament has declined from about 80 percent at the beginning of the 1970s to just above 50 percent at the end of the 1990s. The comparative figures for positions in the government in the 1970s and the 1990s are 90 and 50 percent (men) respectively. Already at the start of the 1970s, the proportion of women holding high political office in Sweden was far above the *current* average figures for other western democracies. Seen in an international perspective, for a long time there have been large, albeit declining, differences when it comes to women's and men's labour market participation. Sweden and the Nordic countries lead the way regarding employment frequency, although when it comes to the issue of leading positions in the working community, there is a long way to go before gender equality is achieved (Välfärd och levnadsvillkor i Västeuropa, 1994).

Many Nordic researchers emphasise that the development of a Swedish/Nordic gender equality model must be understood as a dynamic relationship between a strong, universal welfare state and the mobilisation of women, both on the labour market and in politics. Helga Maria Hernes has expressed this in terms of Nordic welfare policies having contributed to women being 'pulled' into the public arena, which made it possible for women to begin to 'push' for influence over policy developments in accordance with their own interests (Hernes, 1987, p. 9; see also Dahlerup, 1988; Siim, 1988; 1994; Borchorst, 1994; Bergqvist, 1994; Bergqvist et al., 1999; Florin, 1999; Wängnerud, 1999). However, time-wise the upswings in both women's political engagement and their employment rate occurred before the arrival of what I call the Swedish gender equality model (Bergqvist, 1994; Bergqvist and Nyberg, 2002). This contradicts Hernes's scenario, where policies came first and women later. However, it strengthens the

hypothesis regarding the significance of women's mobilisation to the development of the model.

The political debate on the role of the sexes

In the 1960s there was a dividing line in the party-political arena between those who favoured pursuing a policy of strengthening the *male breadwinner model* and those who preferred to go in the direction of an *individual model* based on two income earners. Should the state support a housewife model through childcare allowances, or should the conditions be created to allow a dual income-earner model through the expansion of childcare?

This dividing line existed at first even within the governing Social Democratic Party and its women's association, even though both of these organisations later came to advocate the dual income-earner model. One wing of the Social Democratic Women's Association argued that the housewife had often been perceived as a much sought after luxury by working-class women, and that investment in the housewife family would mean freedom from heavy industrial work. Housewives were an under-appreciated group in society, despite attempts during the 1940s and 1950s to give them a more professional image. The 1950s had been the golden age of the 'small nuclear family', where even working-class families had been able to live on a single wage (Karlsson, 1996, p. 226-234). Lisa Mattson, Member of parliament and Chairperson of the Social Democratic Women's Association, advocated the introduction of *childcare allowances* in a parliamentary debate in 1965. At this time, childcare allowances were seen as a sort of wage for motherhood, which would give housewives the opportunity to achieve a certain level of independence. At the same time as advocating childcare allowances, Mattson also took a position *in favour* of daycare. Therefore, she advocated the possibility of several models existing in parallel. In a similar vein to Ulla Lindström, the minister responsible for family policy, Mattson was able to support the idea of both models at the same time (Hinnfors 1992, p. 108-111).

The Right Wing Party, later the Moderate Party, first displayed a certain degree of scepticism about the idea of expanded public responsibilities for the family, expressing in 1963 a 'principle repugnance that the natural functions that parenthood entails shall be paid for by the state' (cited in Hinnfors, 1992, p. 99, my translation). The party therefore opposed the idea of childcare allowances. However, in the early 1970s, it reversed its view and became a proponent of childcare allowances. At about the same time, the Social Democrats adopted a negative perception of childcare allowances and favoured the expansion of daycare provision. In its support for childcare allowances, the Moderate Party was united with the Centre Party. Even the Liberal Party had advocated childcare allowances in certain situations during the 1960s, although not at the expense of the expansion of daycare. Later the Liberal Party came to prioritise the expansion

of daycare (Hinnfors 1992, p. 100-114). Therefore, there was no clear dividing line historically between the Liberal/Conservative and Socialist blocks.

The main arguments for childcare allowances concerned freedom of choice and justice. It was argued that women's (not men's) freedom to choose between home and work would increase. The justice argument meant that even families with housewives should have the possibility of being subsidised by society in the same way as those families who benefited from subsidised, public childcare. At the beginning the discussion only concerned women, but later the language attained a more gender-neutral direction, with talk about 'at-home parents' (Hinnfors, 1992, Chapter 4).⁵

According to the opposite line, as expressed in the dual income model, the possibility for all adult individuals, women as well as men, to support themselves provided the basis for individual independence and freedom. Old gender roles ought to be abandoned, and give way to new, equality based gender roles. Both women and men ought to have an equally great responsibility for both care and income, and ought to have the same opportunity to combine parenthood with paid work. On an ideological level, this required radical changes to public attitudes and expectations regarding the tasks and duties of the sexes. On a political level, it needed radical reforms to enable this new and modern life, one free from the handcuffs of traditional gender-roles. Such a reform required a massive expansion of public childcare to ease women's entry into the labour market. The report 'Equality' was produced by a working party led by prominent female politician Alva Myrdal, and made up of members of the Social Democratic Party and Trade Union movement. The report asserted that the 'continuing major expansion of childcare' was one of the most important reforms for increasing gender equality within the family (SAP-LO: working-party for gender equality issues, 1969, p. 97).⁶

After 1966 the Social Democrats began to concentrate on developing public services in order to give women the opportunity to become income earners without having to worry about childcare. They had the support of the Communist Party, who made clear their rejection of childcare allowances in favour of expanding daycare provision. The employment rate among women with children under the age of seven increased from 32 percent in 1960 to 50 percent in 1970, and to 60 percent by 1975 (Hinnfors, 1992, p. 289). Despite political opinion being in favour of daycare, together with the enormous expansion in the working fre-

⁵ The financial support that the proposed childcare allowances would give to recipients cannot be compared with a normal income.

⁶ The report comes from the Socialdemocratic Workers' Party's and the Swedish Trade Union Confederation's (SAP-LO)'s working party for gender equality issues, and was presented at the Social Democratic Party congress in 1969. The same views were put forward in the Women's Association's programme *In favour of socialist family politics (För en socialistisk familjepolitik)*, 1969.

quency of mothers with young children, actual expansion of public childcare did not take place until the 1970s. In 1966, for example, 90 percent of children under the age of seven did *not* receive childcare outside the home. By 1979 this figure had fallen to 61 percent (Hinnfors, 1992, p. 49).⁷ Timewise, many mothers entered the workforce long before any public childcare was available.

Women dominated the political documents and debates that formed the basis for the parliamentary decision that led to investment in public childcare. Extensive state inquiries and surveys found many women to be positive to the expansion of daycare, not just for reasons of gender equality but also for social and educational reasons (SOU 1967:39; 1972:26; 1972:27). As previously mentioned, Swedish women were relatively well represented in politics at this time compared with their counterparts in non-Nordic countries. Between 1965 and 1970 approximately 15 percent of members of parliament were women. In the Social Democratic parliamentary Group about 20 percent of members of the second chamber were women. The government of 1970 contained two strong campaigners for equal rights and conditions for women and men, Alva Myrdal and Camilla Odhnoff, who were responsible for family policy (Bergqvist, 1994; Hinnfors, 1992).

Emil Uddhammar (1993) has shown that, despite certain differences of principle, there has – on the whole – been an amazing level of agreement concerning the state’s economic undertakings relating to childcare. Even if parties in the Liberal/Conservative block have frequently questioned different aspects of childcare policy, as a rule they have not opposed the increasing public costs. It was really first during the latter part of the 1980s that the Liberal/Conservative block, and even the Moderate Party within it, have questioned public expansion in this area (Uddhammar, 1993, p. 250). As well as agreement across party lines, we find agreement between women and men, albeit with certain differences of emphasis with regard to the arguments. For women’s groups the gender equality argument weighs heaviest, while men usually indicate that women are needed in the workforce. It is reasonable to think that the effect of high prosperity in the economy, together with labour shortages, created the positive conditions that were instrumental in framing the policies implemented (Hinnfors, 1992). But, that the structural conditions were advantageous ought not cloud the fact that the policies were also in the direct interests of large groups of women. The issue of support for public childcare was a long-standing women’s issue that had existed since industrialisation.

⁷ These figures include children in part-time childcare and playgroups.

From maternity leave to parental leave

Carole Pateman writes in her article, 'Feminist Critiques of the Public/Private Dichotomy', that today – for the first time – western feminists are working on the creation of a theory regarding social practice that equally includes women and men. According to Pateman, it means that, at an immediately practical level, women and men must share household duties and caring for children. Pateman asserts that the opportunities for achieving gender equality in couple relationships are related to the organisation of working life and the public sector (Pateman 1989, p 135; see also Okin, 1989 for a theory of justice between the sexes).

Swedish legislation covering opportunities for parents to share caring for newborn babies fits in well with what Pateman describes as practical feminist politics. When parental leave legislation was introduced in 1974, it was said that it would contribute to equality between men and women. It was based on the idea of a dual earner family where the partners were seen as economically independent individuals, both of whom had rights and duties both towards children and on the labour market. The parental leave was rather generous and income related to assure the family against losses of earnings.

The transition from *maternity* to *parental* leave meant that a new view of the relationship between the sexes was institutionalised. The feminist idea that not just mothers, but also fathers, can and should care for newborns was regulated by the state. This idea broke with centuries of tradition and practice, yet received only modest attention from welfare-state researchers.⁸

By legislating on the issue of parental leave, the government took a huge step away from the idea of the single male breadwinner. In practice there might have been a long way to go before gender equality was achieved, but the most important principle of the reform was that it opened up the *possibility* of more equal parenting, something that was previously made difficult by gender specific legislation in this area. The fact was that women's and men's opportunities to combine parenthood and paid employment had increased.⁹

The idea and implementation of shared parental leave affects the private sphere in a more obvious way than public childcare policies. Childcare and *maternity* leave can be seen as measures designed to support women's possibility of combining motherhood and paid employment without actually affecting

⁸ An exception is Ann-Sofie Ohlander who writes: 'seen historically this is an extraordinarily meaningful change. The conflict between reproduction and production has become visible, not just as a problem that is the responsibility of women, but also as a conflict and responsibility for men. It is too early to say anything about whether increasing the visibility of the basic conflict in a society that does not acknowledge the central role of reproduction in reality will lead to a corresponding societal change' (Ohlander 1989, p. 186 (my translation); see also Leira, 1993).

⁹ The parental leave legislation has, however, been criticised by some Swedish feminist researchers for the fact that the gender-neutral formulation did not make a sufficiently radical contribution to a more gender-equal division of labour.

private relationships between the sexes or perceptions of fatherhood. At a strategic level, reforms to support women and children *may* have certain emancipatory effects, giving rise to increased autonomy and gender equality, but not if traditional gender-related divisions of labour in the home hinder changes in the public sphere. The basic idea underlying shared *parental* leave can be viewed as that of evening out the consequences that unequal gender relationships have for women's and men's opportunities, eg advancing at work. If it were assumed that there was an equal probability that a father of young children would take as much leave as a mother, it would be likely to have consequences for workforce organisation and perceptions of gender. The following section analyses how the vision of gender equality in parenting became a Social Democratic reform policy.

The parliamentary debate on shared parental leave

On 1 January 1974, *maternity* leave was replaced by *parental* leave (when a child was born or adopted). Leave was initially for a period of six months, but was increased to seven months just a year later. Parents could decide themselves who should stay at home and for how long. There was also the opportunity to share the parental leave period. The basic principle, still valid today, is that the parental leave benefit represents compensation for loss of income up to a certain ceiling. In addition, there is a low, general guaranteed amount received by those who have not earned enough to give an entitlement to sickness benefit, eg for students and home-workers.¹⁰

The introduction of the parental leave reforms clearly marks a developing change in perception of the relationship between the sexes. The reforms were both an expression and an institutionalisation of two radically new ways of regarding gender relationships: first, that not just mothers but also fathers can and ought to care for young children; second, that there should be a shift away from the male-breadwinner model in favour of the dual-breadwinner family. The first step in this direction had been taken with the separate taxation reforms of 1970/71. These reforms were instrumental in changing the institutional conditions for gender equality.

The issue of parental leave had been carefully considered by the Family Policy Committee in its report 'Family Support' in 1972. In this report, the committee argued that it was positive for parents, and especially for women, for parental responsibilities to be shared. Parental insurance would probably lead to a more equitable division of labour in the home, and therefore better opportunities for women to improve their position on the labour market. The report expressed a hope that more fathers would stay at home, although recognised that it was likely to be mothers who took the greatest responsibility. Despite this, there was no

¹⁰ Parental leave payments are based on the level of sickness benefit payments that an individual would be entitled to receive.

recommendation that the way the parental allowance was divided should be regulated; instead, this was considered an issue that parents ought to decide between themselves (SOU 1972:34). Camilla Odhoff, the minister responsible for submitting the report, supported the committee's finding. She stated that all the comments received from interested parties, including the Swedish Trade Union Confederation (LO) and the Swedish Employers' Association (SAF), had supported the main conclusions. Odhoff argued for the gender equality aspects of the findings when submitting the report:

‘The division of labour between men and women that currently characterises society locks men as well as women into separate roles and obstructs free personal development. Therefore, demands for gender equality are not only concerned with changing women's conditions but also men's. This change is about, among other things, giving women an increased opportunity to undertake paid employment, and for men the opportunity to take an increased responsibility for children. The state must take action in the different areas of public life actively to work to change men's as well as women's positions’ (Prop. 1973:47, p. 35, my translation).

The quotation above illustrates the founding principles within the new policy area that was taking shape, namely gender equality and family policies based on the individual income-earner model. The central concept in these policies was that of gender neutrality. Instead of talking about *women's* equality or *women's* policy, the notion of gender equality was central to the discussion. The simultaneous expansion of political boundaries, together with the redefinition of the reproductive sphere to cover both women and men, demonstrated an ambition to break down boundaries and discard traditional perceptions of differences between the sexes.

Compared with other countries, Sweden's parental leave legislation was unique and radical when it was introduced, and remains so today. However, there was one aspect that was not in accordance with the Swedish income-related social insurance model, where compensation rights are based on the individual. A wholly individual and gender-neutral formulation would have meant that each parent had an independent right to a certain number of months, not transferable to the other partner. As previously mentioned, it seemed that everyone was in agreement that parents should be able to decide between themselves how the parental leave should be divided. It is therefore interesting that, in 1973, two Centre Party members, Karin Andersson and Elvy Olsson, were the first parliamentarians to demand that neither parent should be allowed to take out the whole parental leave entitlement alone. Their motion asserted that – taking into consideration pay disparities, promotion opportunities, and also other gender-related differences – it was probable that it would be mothers, in the main, who stayed at home. The result of this, according to Andersson and Olsson, would be that an

essential policy goal would not be attained. Their suggestion was that allowances should be given for twelve months, and that no one parent should be able to use more than eight of these months. An exception to this rule should be made for single parents (Mot. 1973:1686).

This issue was later investigated by the Family Support Commission that had been appointed at the time parental leave was introduced. The Social Democratic government gave the commission the missions of carrying out a preliminary examination of the new rules and of investigating a possible increase in the length of time for which allowances were paid. Following a request from the Social Democratic Women's Association, the commission of inquiry was also given the task of evaluating whether expanding the payment period could be combined with demands that a certain amount of time *must* be used by fathers. The recommendations of the Family Support Commission were in agreement with the Women's Association, recommending an increase in the payment period to eight months, conditional on neither parent alone utilising more than seven months (SOU 1975:62).

During the spring of 1976, the Social Democratic government made preparations to extend parental insurance to eight months. The proposal did not take account of demands that the increase should be combined with the introduction of a so-called 'daddy month', as recommended by the Family Support Commission. This was considered a betrayal of gender equality by a large number of Social Democratic women members of parliament, and they responded by staging a 'women's coup'. The coup is described in detail by historian Gunnel Karlsson (1996), who describes it as a unique occurrence. To put it briefly, the 'women's coup' was a very strong protest by women against the party leadership. This was totally against the prevailing norms within the Social Democratic government and its parliamentary group. Eighteen of the parliamentary group's 36 women submitted a joint motion calling for a 'daddy month'. The reason that this was regarded as a coup-like action was that the women submitted the motion directly to the parliamentary secretariat, without informing the party leadership. Thereby, they acted against the Social Democrats' previous rejection of the 'daddy month' proposal. According to Prime Minister Olof Palme, this was the first time that a 'major faction within the group had gone against the parliamentary group's representative council's rejection' of a proposal (cited in Karlsson, 1996, p. 293, my translation). Gunnel Karlsson describes the 'women's-coup' as:

'A strategy of disobedience that was a sensation within the party, where party loyalty and party unanimity, usually also for these women, was the principle value. The fact that the coup was staged in [what was called] a "lottery parliament" where the Socialist and Liberal/Conservative blocks each held 175 seats, did not make the situation any less sensational. Olof

Palme considered the action more or less as a stab in the back' (Karlsson, 1996, p. 293-294, my translation).

The Social Democrats did not manage to make any changes to parental insurance before the election of autumn 1976. After 44 years of Social Democratic rule, it was the Liberal/Conservative block that formed the new government. Despite the change of government, there were no major changes to family policy, and the programme started by the Social Democrats was actually strengthened. During the time of the Liberal/Conservative coalition government, which lasted until 1982, no government bills were submitted with regard to the introduction of childcare allowances (Hinnfors, 1992, p. 166). To the contrary, the Liberal/Conservative coalition proposed an extension of parental insurance to nine months, albeit without a compulsory 'daddy month'. This government bill gave rise to a motion from Olof Palme and several other Social Democrats calling for an obligatory division of the parental leave period (Mot 1976/77:1572).

In conclusion, this analysis illustrates that women have been actively involved in the creation of the Swedish gender equality model. Despite women being marginalised within many areas of politics, this was not the case for issues relating to care and equality (Bergqvist, 1994; Wängnerud, 1999). This does not mean that having a high proportion of women in politics automatically leads to certain types of policy. Different women's groups have differing interests, and women politicians naturally act to represent their own party's programme as well as having different opinions regarding the substance of policy.

The 1990s – new actors and old ideas

The issue of which direction family policy should take, and more generally, which welfare and gender equality model was preferable became a controversial political issue again towards the end of the 1980s and during the 1990s. Following the period of relative consensus that had prevailed since the 1970s, when the dual income-earner model was introduced, childcare allowances were introduced for the first time in 1994. The early concept of childcare allowances, already discussed in the previous section, conformed with the idea of a male breadwinner model. The new variation had a gender-neutral appearance.

After the election of 1991, a Liberal/Conservative government came to power. In contrast to the previous three-party governments of the 1970s and 1980s, the new government included the Christian Democrats (for the first time). This meant that the Centre Party had gained an ally to support the introduction of childcare allowances. The Liberal party, as previously, supported a continuation of gender-equality and family policies according to the model established during the 1970s, which – to a large extent – coincided with the policy of the Social Democrats. The Moderates had developed from a traditional conservative party into a free-market, neo-liberal party. They had not regarded family policy as a

central issue during the 1980s, and were prepared to make deals and coalitions with both right and left. Accordingly, there was no agreed family policy within the governing coalition, and there were family-policy proponents of each of Esping-Andersen's welfare regimes. The Centre party and the Christian Democrats stood for the conservative regime, the Moderates for the liberal regime, and the Liberal party for the social-democratic regime.

Also, the Swedish elections of 1991 resulted in a reduction of women representatives in parliament from 38 to 33 percent. One reason for this was that the Moderates had had, for a long time, a lower level of women representatives than the other parties. In addition, the Christian Democrats and also New Democracy – a populist, anti-immigration party – both won seats in parliament. Both of these parties had a lower proportion of women in their parliamentary groups than other parties (Bergqvist, 1994, p. 41-43).

This gave an opportunity for the Centre and Christian Democratic parties to gain government support for the introduction of childcare allowances. A government bill on childcare allowances (Prop 1993/94:148) was presented late in 1993, but the allowances were not introduced until July 1994 when it was nearly time for the next election. The childcare allowance was in an amount of SEK 2,000 per month for each child between the ages of one and three. At the same time, the parental leave period was reduced from 450 days to 360. Thus, childcare allowances took effect after a year of income-related parental leave payments.

The most common argument put forward in favour of childcare allowances was that they increased freedom of choice for parents to decide for themselves how their children should be cared for. Although advocates of childcare allowances attempted to 'dress-up' their arguments in gender-neutral language, we can derive the origins of the allowances from the debate of the 1960s concerning the separate spheres of the sexes. The Social Democrats and the Left Party (the former Communist Party) argued in strong terms against the notion of childcare allowances. However, the history of childcare allowances was short-lived as the Social Democrats were once again returned to government in the autumn of 1994. Quite simply, they abolished the allowances, which they had always opposed on principle (Bergqvist, 2005).

The 'daddy month'

Parallel to discussion about childcare allowances ran a debate more in line with what might be called a 'vision of gender equality'. This debate concerned the low utilisation of parental leave by fathers. Despite campaigns aimed at giving information and changing public opinion, the proportion of parental leave days taken out by fathers remained low, even at the start of the 1990s. In 1977 fathers took out 2.2 percent of the total number of days, and in 1994 11.4 percent. However, the number of fathers who took out *some* parental leave increased from

7 percent in 1977 to 28 percent in 1994. It was interesting that, at this time, the issue was pursued more by men who were themselves fathers than by women in parliament or the women's associations of the political parties. Of central importance was the so-called 'fathers' group' within the parliamentary Gender Equality Unit.¹¹ This unit consisted of seven men, some with political connections, others with positions in the mass media or other industries. In a report they discussed their 'vision of the present father'. This included, among other things, that children should be able to experience that 'maleness can also be warm, caring and responsible', that 'both parents should share in both the responsibility and happiness from the start', and that 'a new parenthood role would be a merit in the labour market and that it will revolutionise working life'. One of the civic actions that the fathers' group recommended was a minimum period of three months for compulsory paternity leave (Ds 1995:2).

Also, a government inquiry into salary differences between the sexes (SOU 1993:7) and a working party within the Ministry of Social Affairs (Ds 1993:87) considered the introduction of compulsory division of parental leave as a means of achieving greater gender equality. In February 1994 the same government that planned the introduction of childcare allowances also proposed a compulsory division of parental leave payments between parents, known popularly as the 'daddy month'. This proposal was implemented in January 1995 and meant that, in principle, parental leave days were split between parents. Although parents can decide to transfer most of the days to the other partner, there are 30 days for each parent that are tied to the individual. If any one parent fails to use their minimum 30 days, these days are lost. At the same time, the payment level was reduced from 90 to 80 percent of earnings, apart from for the daddy/mummy months (prop. 1993/94:147).¹² Within the Liberal/Conservative government it was the Liberal Party, and in particular the Minister of Social Affairs and Gender Equality, Bengt Westerberg, who became the driving force behind the policy.¹³ The succeeding Social Democratic governments have retained the 'daddy month'.

In this brief outline of the 1990s, I do not claim to have covered the political debate surrounding childcare allowances and parental leave in full. Despite this, the account suggest that men were brought into the debate regarding gender equality and parenthood in a new way. In the 1970s it had been women and women's groups that had been the driving force, even if they had the support of many men. During the 1990s men took a more active role in the discussion and formulated their own demands and visions of equal parenting. One possible interpretation of this is that childcare and parental leave had become an issue for both

¹¹ The government's gender equality unit has had a working party on the male role since the beginning of the 1980s.

¹² There are certain special rules applicable to single parents.

¹³ Westerberg himself is one of a growing band of well-known Swedish men who have taken parental leave.

of the sexes, in accordance with the 1970s vision of gender equality. Combining working and family life in a modern dual income family is no longer merely a 'women's problem' but also an issue for men.

In the parliaments' and governments' of the 1990s there were almost as many women as men, with women to be found in all the political sectors (Bergqvist, 1994; Wängnerud, 1999). The failure to introduce childcare allowances and the commitment of new groups of men demonstrate that the ideal of gender equality that began in the politics of the 1970s retains a strong degree of political legitimacy today.

Unintended effects or political strategies?

In conclusion, I would like to reappraise the factors that may lie behind the establishment of Swedish gender equality policies, based on the individual and the dual income-earner models. On one viewpoint, the most important factors were the power and strength of the working class, combined with advantageous economic conditions and labour market shortages. This historical assessment contends that the previous focus on labour immigration was abandoned in favour of concentrating on Swedish women. In the late 1960s and early 1970s the labour market's need for workers had shifted from industry to the strongly expanding public sector. On this perception the expansion of childcare and gender equality policies can be viewed as a response to structural change (Ruggie, 1984; Haas, 1991).

As previously mentioned, the increase in the rate of mothers of young children taking paid employment came before the major expansion of childcare. Jonas Hinnfors shows that the initial build up of local government funded childcare did not occur at the high point of the economic cycle, but rather when 'the national budget was showing signs of stagnation' (Hinnfors, 1999, p. 295). Hinnfors describes the expansion of local government childcare from 18,000 places in 1965 to 125,000 places in 1973 as 'one of the most extensive public-sector expansions in the world' (1999, p 293). His conclusion is that the formidable enlargement was an unintentional consequence of class-based political decisions that were not the result of gender equality or women's demands. Hinnfors analysed the parliamentary debate from a party-political perspective, which of course is important, but perhaps not sufficient to obtain a full understanding of the development. In order to acquire such a full understanding, a gender equality perspective is required.

The issue of publicly funded childcare and maternity/parental leave has been on the agenda of the women's movement from the time of industrialisation. During the 1960s and 1970s, Swedish women came to constitute a reasonably large proportion of political decision-makers, especially within social and family policy. This fact is often overlooked by researchers who seem to assume that the

presence of women is irrelevant when formulating empirical studies. Hinnfors (1999), for example, emphasises the fact that important gender equality decisions were taken by a large majority of men. It is a paradox, writes Hinnfors (ibid, p. 307) that ‘early major decisions behind the individual model of welfare state with its gender equality implications were in fact made by an almost all-male Social Democratic leadership’. As the analysis presented here shows, this is a rather strange conclusion. First, it is clear that several of the ministers responsible for these policies were women, strongly committed to gender equality. Second, there were many women involved in the official inquiries and reports that preceded the major decision on local government funded childcare and parental leave. It was often women who were the active driving force for change in parliament, writing motions and participating in parliamentary debates.¹⁴

My study does not reject the notion that labour market shortages, Social Democratic policies of gender equality and welfare, together with the expansion of the public sector, were *beneficial* in aiding the development of the Swedish gender equality model. However, it does reject the conclusions of researchers who contend that the institutionalisation of the Swedish gender equality model was just a more or less unintended consequence of these other conditions. If we regard the whole ‘package’ of political actions and policies that were introduced during the 1970s – such as separate taxation, expansion of childcare and extending parental leave – it is clear from the various public inquiries, reports and political debates that these reforms were the result of a conscious vision of radically changing the relationship between the sexes. It is also clear that women from all parts of the political sphere played an active role; even if they were not always in agreement, they had in common the goal of improving the situation for women. However, some of the more radical ideas about ‘daddy months’ took a long time to gain political acceptance.

The conclusions I draw from this is that it is of great importance to identify and investigate political actors from a gender perspective in order to gain a full understanding of the Swedish gender equality model. This means that it is not just women who should be studied, but rather the *dimensions* of gender politics. What were the gender-based interests? Which demands were formulated in terms of the gender specific experiences of both women and men? What views of the relationship between the sexes were expressed in various political proposals? Although men have had a traditionally privileged role as superior to women, it is seldom that their interests have been expressed in terms of gender. Accordingly, we are not used to analysing and appraising the political actions of men in this way. However, this is an area that is in the course of change, both on a theoretical level through new research on masculinity and also in the political actions of

¹⁴ Hinnfors’s analysis here is surprising, given that his own, first-rate, doctoral thesis clearly demonstrates the prominent role of women in the area of family policy.

men. Analysis of the 1990s' debate on the 'daddy month' can be seen as an example.

Summary

When it comes to the possibility of combining labour force participation with a family, in Sweden there are three political foundations that can be discerned: separate taxation, well-developed, public funded childcare, and gender-neutral parental insurance. These policies were introduced during the 1970s with the stated objective of increasing gender equality by encouraging women's participation in the labour force and men's responsibility for the home and children. The origins of these state-led feminist policies, regarded internationally as unique, have frequently been presented in terms of advantageous socioeconomic factors and a strong labour movement. Accordingly, the political participation of women has been undervalued. My hypothesis is that women have a greater significance as political actors than is usually claimed when it comes to the formulation of policy in the field of gender equality.

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Chapter 4. Undermining corporatism

Joakim Johansson

Over the past few decades, Swedish governance has been profoundly transformed. Political scientists attribute much of this transformation to decorporatisation. The participation of interest organisations in formal decision-making has decreased. An important landmark in this development was the 1991 decision by the Swedish Confederation of Employers (SAF) unilaterally to withdraw its representatives from government agency boards. This decision signified the fall of the traditional ‘Swedish model’ of formalised, institutionalised participation by SAF, the Swedish Trade Union Confederation (LO) and the Swedish Confederation of Professional Employees (TCO) in the shaping of policy on labour market and working life issues. SAF’s exit also functioned as the basis for a still-valid 1992 parliamentary decision, which demanded that the boards from which SAF had stepped out be restructured. As a result, the representation of trade unions on these boards also came to an end.¹

The underlying motives for the SAF withdrawal have been subject to extensive discussion.² The purpose of this paper is to problematise the understanding of SAF’s motives laid forth by Rothstein’s and Bergström’s (R&B) *Korporatismens fall och den svenska modellens kris* (1999). More precisely, this chapter will question the validity of R&B’s thesis of reactive intentionality, and the lack of empirical support for the authors’ null hypothesis of strategic considerations.³

Next, R&B’s thesis will be recapitulated, followed by a closer description of the authors’ null hypothesis, a presentation of positive evidence for the same null hypothesis, and, finally, a dissection and critical examination of the authors’

¹ The decorporatisation of Swedish politics has been discussed in, inter alia, a number of more extensive research projects in the Department of government at Uppsala University: first within the framework of RIO (the Riksdag and the Organized Interests) where in particular Lewin, 1992; Rothstein, 1992; Hermansson, 1993; and Öberg, 1994 should be mentioned, and later within the framework of PISA (Political Institutions and Strategic Acting) with Hermansson et al., 1997; Öberg, 1997; Öberg et al., 1999; Melin, 2000; Svensson, 2001 as some of the contributions. See also SOU, 1990:44; Micheletti, 1994; Pestoff, 1995; Hermansson et al., 1999; Rothstein and Bergström, 1999; Johansson, 2000; 2003.

² Notable contributions to this discussion are, among others, Ljunggren, 1991a; b, De Geer, 1992, p. 175; Lewin, 1992, p. 101 and 104f; Kjellberg, 1992, p. 101; Rothstein 1992, p. 349f; Crouch, 1994, p. 213; Pestoff, 1995, p. 165f; Hermansson et al., 1997, p. 375; cf also Pestoff 1987; De Geer 1989, p. 288; Wockelberg 1996, p. 27; Öberg 1997, p. 52 ff and p. 61ff; Johansson and Magnusson, 1998, p. 328; Micheletti, 1994, *passim*.

³ The chapter is based on Johansson 2000. The author is responsible for all translations of cited Swedish literature and sources in English. In the process of writing the chapter, Magnus Lundgren, former MA student in the Department of Government at Uppsala University, contributed with translation drafts and proposals.

positive arguments for using reactive intentionality as an explanation for SAF's withdrawal. The chapter will end with an assessment of the reliability of R&B's conclusion, and a positioning of SAF's decision within a wider political context.

R&B's thesis of reactive intentionality as a motive explanation

R&B conducted an empirical study seeking to explain SAF's exit from the government agency boards.⁴ In doing this, the authors adopt an intentional model, in which the decisions of a certain actor are explained by reference to intentions and calculations. For purposes of analysis, SAF is regarded as a homogenous actor (Rothstein and Bergström, 1999, Chapter 2).

R&B's central explanatory hypothesis is the idea of *reactive* intentionality, which is contrasted with conceptions of strategic intentionality:

'SAF has reacted to a course of events beyond its control. The organisation has suffered a diminishing influence in agency boards and its decision to "say farewell to corporatism" is a *subsequent* reaction to this. The other possibility is that SAF acted strategically to increase its influence or even to avoid a decreased influence. The act then becomes *anticipative*. They wanted to attain or avoid something they saw coming in the future' (ibid, p. 46).

In R&B's conclusion, the hypothesis of reactive intentionality is articulated more precisely. The authors also believe that they have found empirical support for it.

'[T]he main cause for the SAF withdrawal from the government agency boards is that their influence had decreased. The possibility of influencing the implementation of policy had been reduced during the entire 1980s. The state had not fulfilled its part of the corporatist "contract", and in reality made it ever more unprofitable for SAF to participate in the boards of AMV. The relation between costs and benefits had become ever more unprofitable through the reform of the boards' (ibid, p. 82f).

The idea of a corporatist 'contract' is borrowed from PerOla Öberg, who applied Gudmund Hernes's power exchange model to corporatist arrangements in his doctoral thesis. Öberg regards corporatism as the result of an exchange of power resources between the state and interest organisations, whereby the state acquires legitimacy for its public policy in exchange for allowing organisations a degree of influence over the same. Important preconditions for the establishment of such a corporatist exchange are, first, that the interest organisation is representative and able to control opinion within the functional interest that it represents, and,

⁴ This question is the subject of the first part of the book. A second part then deals with issues touching upon the effects of decorporatisation, with a focus on the functions and influence of the new boards and consulting committees.

second, that the state really can guarantee the interest organisation in question a substantial influence over public policy (Öberg, 1994).

By arguing that the state failed to fulfil its part of the corporatist contract during the 1980s, R&B imply that the state has been a bad guarantor of SAF's influence over public policy on labour market issues. This could – if it really reflects SAF's reasoning – fundamentally mean one or both of two things: first, that the state failed to guarantee enough SAF influence vis-à-vis the trade union movement and other interest parties on government agency boards, given that there existed a real board influence to distribute; and/or second, that the state failed to guarantee the influence of the government agency boards over public policy in relation to other 'state actors', such as the parliament, the government, and officials in public administration.

Judging from the more narrowly defined hypothesis of R&B's investigation, their reaction thesis covers both of the above possibilities, which explain a decrease in SAF influence over the government agency boards (Rothstein and Bergström, 1999, p. 45f). At the same time, it is evident that R&B focus heavily on the idea that the government agency boards lost decision-making authority in relation to other institutions in the political system during the 1980s.

'Above all, the reduced power of government agency boards has benefited public officials, as decisional authority has been transferred to director-generals and province labour directors. Thus, the conditions of the corporatist exchange have changed. This picture is confirmed by SAF-official Redbrant, who is of the opinion that, in the boards, SAF could do little more than criticise decisions that were already taken. ... The only thing that contradicts the overall picture is SAF's declared motive of undermining the position of LO. Given the weight of the other motives, it is reasonable to assume that this argument indeed was a contributory cause to the organisation's decision, but that it carries *little weight when compared to those motives that are based on the reaction to government policy vis-à-vis the government agency boards*' [italics added] (ibid, p. 78ff).

According to R&B, altering the manner in which the government exercised political control caused a change in SAF's cost-benefit analysis, which – at the actor level – is seen as an explanation of the withdrawal from the government agency boards.

'Having made an efficiency analysis ... SAF, the organisation with the greatest doubts about the public sector and, accordingly, the lowest threshold of withdrawal, chooses to opt out of the cooperation in 1992. ... It is quite likely that if an organisation like SAF is forced to pay an increasingly higher price for an ever decreasing influence, it is just a matter of time before the organisation withdraws from the activity' (ibid, p. 150f).

R&B's null hypothesis of strategic intentionality as a motive explanation

There are many conflicting definitions of 'strategic intentionality' and 'strategic action' (Johansson, 2000, footnote, p. 50). However, given the purpose of this chapter, it is important to use R&B's definition; any conceptual clarifications should then fall within the definition of 'strategy' stipulated by R&B.

In their paper, R&B do not distinguish between the motives behind SAF's anti-corporatist position concerning government agency boards, and SAF's motives for a unilateral withdrawal from the same boards. Nevertheless, it seems worthwhile to make such a distinction in order subsequently to test whether evidence exists for SAF's strategic reasoning on one or several of these corporatist dimensions. A credible questioning of R&B's reaction thesis needs to include convincing evidence of the occurrence of strategic calculation, both concerning the issue of the declared attitude toward corporatist government agencies, and concerning the issue of withdrawal.

What does it then mean, in a strict sense, to argue that SAF's withdrawal from the government agency boards can be explained in terms of strategic, rather than reactive intentionality? In the most clear-cut case, it means that representative SAF officials saw withdrawal as motivated from the perspective of a long-term plan. This plan's objective was *to change the fundamental rules defining the conditions for the participation of labour market parties in labour market policy processes, and to strengthen the influence of SAF in relation to that of trade union organisations*.⁵

Proving the occurrence of such strategic intentionality, and arguing that it can function as a motive explanation for SAF's withdrawal from the government agency boards, requires convincing evidence on seven empirical assertions: (1) Central SAF actors regarded the government agency boards in the labour market sector as centres of political power; (2) Central SAF actors came to the conclusion that industry experienced an influence problem in the government agency boards; (3) Central SAF actors examined how the influence problem could be solved; (4) Given assertions 1-3 above – central SAF actors regarded an anti-corporatist position on the composition of labour market government agency boards as a rational decision from an influence perspective; (5) Central SAF actors considered how to bring about the exit of trade union organisations from labour market government agency boards; (6) Central SAF actors came to the conclusion that a unilateral SAF withdrawal from labour market government agency boards would make a reconstruction of the boards inevitable, leaving trade union organisations without the right to representation; (7) Given support for assertions 5-6 above – central SAF actors regarded the unilateral withdrawal of SAF from the labour market government agency boards as a rational decision.

⁵ Cf Tsebelis's (1990) reasoning concerning 'institutional design' of a 'redistributive' type.

The language used in the seven assertions above proves that the empirical test of R&B's thesis originates from something designated – possibly a little vaguely – as 'central SAF actors'.⁶ This group consisted primarily of individuals who, during the period in question, had influential formal positions in SAF, were members of the SAF board, displayed whole-hearted support for the withdrawal decision, and promoted wider internal support for it. Meeting these criteria were, in particular, the SAF chairman, Ulf Laurin, and the SAF president, Göran Tunhammar.⁷

Statements from the above persons have been complemented by statements from other individuals in SAF, namely Lars-Göran Redbrandt, Lennart Grafström and Janerik Larsson. Within the heterogenous SAF, they all belonged to the same activist minority culture,⁸ committed to decorporatisation as well as to

⁶ The term 'actors' is perhaps not the most appropriate. It may give the impression that the chapter in this volume emanates from a different kind of actor attribution than that of R&B. However, that is not the case, even though I have argued elsewhere that it is more fruitful to see the SAF of the 1980s and the early 1990s as a heterogeneous organisation composed of a number of different subcultures, or – if you want – different types of actors. See Johansson, 2000, Chapter 6; Johansson, 2003. Cf De Geer, 1989; 1992.

An alternative to the term 'central actors' would be the similar term 'central persons'. Still, the latter is problematic as it makes one think of *formal* positions in an organisation. Although looking at formal positions may be a good starting point for an empirical analysis of SAF motives, one must not misjudge the representativity of formal positions. For example, it is known that, concerning the question of a SAF withdrawal, there existed a great many individuals with formal positions in SAF who were sceptical, and in some cases, directly negative towards the policy that the organisation finally adopted (Johansson, 2000). In light of this, using statements from such individuals as evidence on the motives to withdraw from the boards seems ill-advised. Conversely, it is reasonable to assume that statements from persons in the organisation lacking formal positions – through informal connections to advocates of withdrawal having formal positions, and through the central role they potentially might have played in the early stages of SAF policy-making – could shed important light on the motives behind SAF's withdrawal.

Moreover, the memoranda written in connection with the internal investigation of the issue of corporatism, and with its hearing by the SAF board, contain the most substantial and developed arguments on the motives for a SAF withdrawal, whereas the board discussion, for obvious reasons, was of a much briefer and scantier nature. See Johansson, 2000. Cf De Geer, 1989, p. 14f.

⁷ For evidence of Laurin's and Tunhammar's engagement in the withdrawal issue and the important role played by them in pushing the withdrawal decision forward on the SAF board, see SAF's styrelse, 1990, p. 9ff.; SAF's styrelse, 1991, pp. 13-20; Laurin, 1990; Sydsvenska Dagbladet, 1989 (interview with Ulf Laurin); Svenska Dagbladet, 1990 (interview with Ulf Laurin); SAF-tidningen, 1990a (interview with Ulf Laurin); Svenska Dagbladet, 1991 (interview with Ulf Laurin); Svenska Arbetsgivareföreningen, 1989, p. 4 (contribution from Göran Tunhammar during the SAF-conference 'Gisslan eller motvikt?'); SAF-tidningen 1990b, p. 8f (interview with Göran Tunhammar). See also Johansson, 2000, p. 122ff and pp. 137-143. Cf Laurin, 1991a; b; SAF-tidningen 1989, p. 2; SAF-tidningen, 1994 (interview with Ulf Laurin); Tunhammar, 1991a; b; 1992; 2000; Redbrandt, 1999; Larsson, 2000.

⁸ About SAF and its subcultures – the negotiation culture, the expert/court of appeal culture and the activist culture – see Johansson, 2000, Chapter 6 (which gives a number of reasons for placing Laurin, Tunhammar, Larsson, Grafström and Redbrandt in the latter subculture),

the withdrawal policy; and, for an extended period of time, they actively pursued these issues.⁹ Further, Redbrandt and Grafström can, despite their lacking formal positions (they were mid-level administrators at the SAF secretariat), be designated as the ‘masterminds’ and main actors behind the shaping of SAF’s anti-corporatist policy concerning the government agency boards from 1985 and onwards (Johansson, 2000, Chapter 4; Johansson, 2003). Further, Redbrandt played an important role in promoting the issue of withdrawal on the SAF board in 1990; he also composed the material that functioned as a basis for the board’s withdrawal decisions in 1990 and 1991 (Redbrandt, 1990; 1991a; Johansson, 2000, pp. 117-132).¹⁰ After Tunhammar took office as president of the organisation in 1990, Larsson was designated as director of information. Together with Redbrandt, he formed a part of the special ‘decorporatisation group’, which consisted of four individuals in addition to the president. This group was assembled at the SAF secretariat by Tunhammar at the time of the 1991 board decision to depart from the government agency boards (Redbrandt, 1991b).

and also De Geer, 1989 and 1992. An interesting account of the internal tensions in SAF, from the insider perspective of an ex-SAF official, is Lundgren, 2001.

For specialist reading about the long dominance of the negotiation culture within SAF, its character and fundament, see De Geer, 1989, p. 343, p. 178, p. 155f and p. 324f, and also his writing on SAF history for the period 1930-1970 with the telling title of ‘*SAF i förhandlingar*’ (SAF in negotiation) (De Geer, 1986). See also Elvander, 1988, p. 358f. Cf SAF-tidningen 1980 (interview with Lars-Gunnar Albåge); SAF-tidningen 1981 (interview with Lars-Gunnar Albåge); Bresky et al., 1981, p. 116ff. (interview with Folke Haldén); Lundahl, 1997, p. 257f; Forsberg, 1996, p. 98f.

Recommended reading concerning the growth of an expert culture within SAF includes De Geer, 1986, Chapter 2, and also Söderpalm, 1980.

⁹ Expressions of this active commitment to decorporatisation that can be found in publicly accessible material are Grafström, 1985a; 1987a-b; 1989; 1990a-b; 1991; Larsson, 1984a-g; 1985; 1987. In the material from SAF discussions ‘behind closed doors’, the following are worth mentioning: Redbrandt, 1986; 1987; 1990; 1991a-c; Grafström, 1982a; 1984d; 1985b-c; 1986a-e; 1988a-b; Grafström and Redbrandt, 1985a-c. See also the policy papers that Redbrandt and Grafström wrote in the context of the SAMPOL project ‘Organisationernas Inflytande’ (The Influence of Organizations), 1984a-d, the remainders of the work within SAMPOL (eg SAMPOL, 1983a-c; SAMPOL, 1984a-g; SAMPOL, 1985), and from the so-called Genomförandegruppen (the Implementation Group) in which Grafström as well as Redbrandt took part during its active period in 1985-1987 (eg Genomförandegruppen, 1985a-f; 1986a-b; 1987) as well as Svenska Arbetsgivareföreningen 1989, a debate following a speech by af Winklerfeld (contribution by Janerik Larsson). A more developed argument for the central roles played by Redbrandt and Grafström in developing SAF’s position on corporatism can be found in Johansson, 2000.

¹⁰ At a meeting in September 1990, the SAF board yet again articulated the organisation’s anti-corporatist stance on the issue of government agency boards, at the same time as the board commissioned the SAF secretariat to ‘present, at the next board meeting, a plan for the abolishing of SAF participation in decision-making government agency boards’ (SAF:s styrelse, 1990, p. 11). This was also done, but the final decision as to withdrawing came only at a later board meeting (SAF:s styrelse, 1991, p. 20), which is why there are, de facto, two board decisions on SAF’s withdrawal from government agency boards dating from the Laurin/Tunhammar regime.

Empirical evidence¹¹

Having found that decorporatisation of the government agency boards was an important SAF interest, what was the reasoning of the organisation's central actors?

Let us start by reflecting on the following question. To what extent were the government agency boards conceived of as centres of political power, the decisions of which were thus regarded as having important consequences for SAF's client companies? The following is Tunhammar's view:

[R]egulative government agencies are something we ... have in abundance. I want to call to attention that, every year, the governmental agencies that are authorised to promulgate regulations, which are about 40, produce about three times as many regulations as are produced by the government and Riksdag combined. I will provide an example concerning the field of work environment. The Work Environment Act is a typical so-called skeleton law. Based on this law, the government issued an ordinance and in turn delegated authority to the National Board of Occupational Safety and Health Authority to issue a lot of rules. The National Board of Occupational Safety and Health does that, and has been doing it in an orderly corporatist manner for a number of years, with the assistance of representatives of interest parties. Then, after a number of years, you find out that many of the rules issued by the Work Environment Authority are most probably unlawful, meaning that they go beyond the framework designated by the government. The Work Environment Authority replies that the interest parties have given their assent. And then everything is alright, even if it happens to be unlawful. *In this field – as in all others – the case is that the agency*

¹¹ The empirical basis for the examination of R&B's thesis consists mainly of studies of documentation from the SAF archive, to which I have largely had free access. I have thus examined the following material: all of the SAF board (SAF:s styrelse) records from 1979 to 1991; the AU and managerial group records over this period, when the question of the government agency boards and/or SAMPOL were dealt with; all of the accessible remains from the investigative work that was done within the framework of SAF's program for public policy (SAMPOL) 1983-1984, and the following-up of this, performed in the context of the Implementation Group (Genomförandegruppen) 1985-1988; some other documentation, such as the memoranda that functioned as basis for the board's decision on the withdrawal question in 1990 and 1991, material from the corporatism discussions in the managerial group (until 1980 designated as the 'Directorate') 1979-1981, and also the letters that were sent to the organisation's partners in connection to the withdrawal decision in 1991.

The above material is extensive. Still, I have found it justified, for various reasons, to supplement it with a read-through of the publicly accessible material: the partner magazine 'SAF-tidningen', congress material, opinion pieces from, and interviews with, SAF representatives in the daily press, and SAF books. To this should be added studies in the archive of the major SAF federation (Verkstadsföreningen), about ten interviews with SAF representatives (among others Ulf Laurin and Göran Tunhammar) and some other material. See Johansson (2000) for a more detailed account of the material analysed, and also motivations and considerations concerning the choice and usage of sources.

concerned is far better equipped than corresponding ministry in the governmental Offices [italics added]. This means, that if you turn to the governmental Offices, they say that it is an issue for the Work Environment Authority, and if the parties have agreed on it, everything is alright' (Svenska Arbetsgivareföreningen, 1989).¹²

In the quotation, there are two trains of thought, both aimed at articulating government agencies as central political power arenas. The first concerns the *scope* of decisions in regard to ordinances and company fees, which were seen as quite considerable, especially through the use of vague skeleton laws on the part of the government and the parliament – which gave plenty of leeway to government agencies in areas important to business interests (cf Waldenström, 1979, p. 52 and p. 101; Tarras-Wahlberg, 1980; Grafström, 1984e). Second, Tunhammar expresses a view of the government agencies as having a seemingly magic advantage over the governmental Offices in influencing an array of policies. Therefore, government agencies could also be expected to play an important role in *initiating* policies that were later accepted by the government and the parliament (cf Tarras-Wahlberg, 1979; Grafström, 1984e). In an article published in Dagens Industri in the summer of 1990, Laurin (1990) noted that

'[m]ore than 1/3 of the national budget is channelled through these [government agency] bodies. It is all about corporatism – the excessive influence of the interest organisations over the political sector'.

From the quotations above, it is not apparent what status and power Tunhammar and Laurin particularly ascribed to the *boards*. However, when other statements are studied, it becomes clear that they both viewed the boards as important power centres. The following is Laurin's view:

'Since 1985, we have tried to build public opinion in order to get the government, LO, and TCO to realise the ill-suited involvement of interest organisations in the running of fundamental elements of the state apparatus' (Laurin, 1991a, p. 17).

1985 was the year that SAF first officially declared its policy of abolishing interest organisations' representation on the government agency boards, something Laurin describes above as an issue of running fundamental elements of the state apparatus.

Tunhammar argued, for his part, that '[t]he issue of participation of organisations in government agencies has a more far-reaching significance than one might first believe' (Tunhammar, 1991b, p. 157), a state of affairs that, *inter alia*, was made apparent by the fact that '[o]ver a third of the Swedish national budget is managed by corporatist *boards*' [italics added] (ibid, p. 158).

¹² Debate following speech by Ingemar Ståhl, p. 4 (Göran Tunhammar).

‘[T]he *management* of government agencies must be overhauled. ... The corporatist system *preserves the organisation of government agencies* and as a result, necessary measures are delayed or prevented. In this way, the corporatist system contributes to legitimising the expansion and monopoly of the public sector’ [italics added] (ibid, p. 160) (see also Redbrandt, 1991a, p. 10).

Redbrandt also touched on the issue of the political power of the government agency boards. His dealing with the issue can be seen in a context of high importance, namely in the administrative memoranda that functioned as the basis for the SAF board’s withdrawal decision in the early 1990s. In one of these administrative memoranda, one can read the following:

‘The working-class movement is benefiting from the corporatist system. Even under non-socialist governments, the boards remain under socialist majority because of the representation of interest organisations. Through the government agencies, LO can also push through what they would not have managed via the [wage] negotiating route’ (Redbrandt, 1990, p. 2).

Here, the concept of government agency boards can be further defined as centres of political power from a *dynamic* temporal perspective. This ‘threat image’ articulates the trade union movement as willing to advance on several, if not all imaginable, fronts in their (as it was understood) unrelenting struggle to bring about unionised/political industrial management. Thus, the government agency boards were understood as conceivable arenas for radical union action, and consequently, they were something that SAF would be interested in controlling (cf Grafström, 1982b).

This idea is representative of the political context, and of the activist sub-cultural SAF context, from which ideas about decorporatisation grew in the mid-1980s. The trade union offensive of the 1970s and the ‘legislative rage’ at issues of co-determination and labour rights, had, as it was understood in some SAF quarters, not been enough. Through the employee investment funds¹³ and demands for increased co-determination,¹⁴ LO made an attempt – at least it was conceived as such – to strengthen union influence over Swedish companies. Individuals from the activist wing within SAF (which did not take charge before 1989-90) then posed the following question. What would come next, and through what channel? (See, eg, Grafström, 1982b; Bratt, 1982. Cf Ekegren, 1981; Lars-

¹³ The question of employee investment funds has been dealt with, from multiple perspectives, in a number of studies. See, eg, Åsard, 1978; 1985; Gilljam, 1988; Lewin, 1989, chapter 9; Bengtsson, 1991; Öberg, 1994. See also De Geer, 1989, pp. 316-321 and De Geer 1992, p. 156f and, p. 192ff.

¹⁴ The questions of co-determination have been thoroughly examined by, among others, Hadenius (1983) and Schiller (1988a, b). See also, De Geer 1989, pp. 297-316; Bengtsson, 1991; Öberg, 1994.

son, 1982c). Against this backdrop, some from this wing apparently saw it best to act before it was too late – ‘a stitch in time saves nine’. In 1984, they argued that ‘there is nothing to indicate that LO is planning to abandon their political ambition and their demands for unionised/political control of business’ (Organisationernas Inflytande, 1984d, p. 6):

‘We must balance our opponents, who do not hesitate to use the political and administrative tracks in parallel with the negotiation track’ (ibid, p. 4).

The conclusion was identical more than five years later.

Thus far, we have been able to support that, in the period leading up to the withdrawal decision, central SAF actors viewed the labour market government agency boards as centres of political power.

Then, did the same persons believe that SAF’s influence in the boards was weak enough to be considered a problem?

Laurin expressed his view in an interview in SAF-tidningen (SAF magazine) in the early September of 1990:

‘The role as “hostage” does not feel good and the question is whether we really do have an influence. Most often, we are outvoted’ (SAF-tidningen, 1990a, p. 4).

A short time later, when interviewed by Dagens Industri, the SAF chairman returned to the influence problem caused by corporatist arrangements in government agency boards:

‘We must constantly register dissenting opinions or make adjustments, and then we end up with a decision that de facto goes against the interests of our owners’ (Dagens Industri, 1990) (see also Laurin, 1990; Ulf Laurin quoted in Olivecrona, 1991, p. 97; Laurin 1991a, p. 17f; Laurin, 1991b).

At the 1991 January meeting of the SAF board, Tunhammar argued, in the same spirit as above, that having corporatism in the government agency boards was something that ‘LO and TCO had benefited from – it did not serve the interests of SAF’ (SAF Board, 1991, p. 19). And:

‘The rationale behind the withdrawal decision is making SAF a more efficient promoter of industrial interests and better at exerting influence’ (ibid, p. 13).

Further, Tunhammar argued that it was problematic for SAF to sit on the government agency boards while simultaneously working for ‘a calling into question of fundamental questions, “[as] the room of manoeuvre left for SAF representatives is restricted”’ (ibid, p. 18). According to the SAF president, this dilemma was evident concerning the National Board of Occupational Safety and Health. But concerning the National Labour Market Board, it was even more intricate,

‘because SAF was critical of large parts of Swedish labour market policy’ (cf Tunhammar, 1991b, p. 160 and p. 162; Tunhammar, 1992).

As is evident, Laurin and Tunhammar were adherents of a view that portrayed SAF representatives on government agency boards as *hostages*, constantly subdued by what can best be described as various pro-regulation coalitions, consisting of union representatives and officials who were more or less loyal to the working-class movement and to the policy of the Social Democratic government.

Such ideas should not be seen as an isolated phenomenon. They reflect an activist perspective characteristic of the period, which sharply criticised SAF’s participation in various corporatist bodies. The activist perspective had been articulated in different contexts since the early 1980s, and it is worth mentioning the representatives of the largest SAF association, the Federation of Engineering Industries, and Janerik Larsson during his time as editor-in-chief of *SAF-tidningen* (see, eg, Larsson, 1981; 1982c; 1983; 1984h; Alderin, 1984; Liljebladh, 1982; Idin, 1983; Gyllenhammar, 1983; De Geer, 1992, p. 160ff. Cf Lundqvist, 2000, pp. 97-102; Gyllenhammar, 1991, in particular pp. 214-220). Concerning the question of government agency boards, these ideas were brought forward during the 1980s, particularly by Lennart Grafström and Lars-Göran Redbrandt (see, eg, *Organisationernas Inflytande* 1984a-d. Cf also *SAMPOL* 1984f).

A linking of the idea of a ‘hostage situation’ to the idea of *agenda-setting privilege* was common in the early 1980s among those in SAF inclined toward activism.¹⁵ Such linkage was also made by the activists who pursued a policy of decorporatisation within the framework of a public policy investigation (*SAMPOL*) carried out under the auspices of SAF in 1983-84, which about a year later led the organisation officially to disassociate itself from the system of corporatist interest representation:

‘SAF representatives could be held hostage to a policy that fundamentally diverges from our clients’ wishes. The agenda-setting initiative is put at risk’ (*Organisationernas Inflytande*, 1984c, p. 3).¹⁶

The tendency of the hostage situation to shift agenda-setting power away from industry organisations to organisations representing sectors of the public sphere is emphasised:

‘The organisations risked becoming estranged from their members and getting difficulties in expressing urgent member interests. Instead, powerful sectoral interests are developed. Agenda-setting tends to be made by secto-

¹⁵ See, eg, Larsson 1982c; 1983; Westholm, 1981. Cf Ljunggren 1992, p. 323f. A general source of inspiration for these discussions, which also had an important influence on the terminological plane, was the ‘expert report’ by Lars Gustafsson to the SAF congress in 1980 (Gustafsson, 1979).

¹⁶ The background to *SAMPOL* and the activities it resulted in are thoroughly examined in Johansson (2000).

ral interests rather than by member interests. Since major interest organisations are in agreement, necessary structural changes are blocked, as is the liberty of action of individuals or companies' (ibid, p. 2).

The above theme was at the core of a 1984 text, 'Strategi, Aktion, Framgång – om SAF:s samhällspolitiska arbete' (Strategy, Action, Success – on SAF's engagement in public policy), the final report of one of SAMPOL's three subprojects, 'The Influence of Organisations':

'The first to ask a question or to present a proposal, and who succeeds in calling attention to it, has an advantage. He decides on the playing field and the tactics. People with a different understanding are taken by surprise, potentially giving ill-considered judgements under extortion, and end up as mere commentators. ... [In a corporatist context] there is a manifest risk of being forced into the agenda of others. Sectoral interests take over. As a result, we distance ourselves from member interests. We are sometimes forced to commit ourselves to a development that diverges from the preferences of our members. The organisation is tied up. There is a risk of becoming a hostage. ... Corporatism can be regarded as a blockage to development. Our participation is subject to conditions set by others and follows an agenda formulated by others' (Organisationernas Inflytande 1984d, p. 18f and p. 21f) (see also Organisationernas Inflytande a-b; Grafström, 1982a).

The linking together of the perceived hostage situation in government agency boards, and the kind of agenda-setting privilege that was thought of as reserved for coalitions among social democrats, the trade union movement, and administrative officials – above formulated as the 'sectoral interest' (within the labour market sphere) – was also evident in the material supporting the SAF board's stance on the withdrawal issue in the early 1990s.

'Corporatism prevents or complicates necessary reforms and preserves the structure of government agencies. The hostage situation implies that our representatives are sometimes forced to take part in decisions that are disliked by our partners. In effect, the corporatist system implies that business bestows legitimacy on the public sector's monopoly and expansion. ... An agency's basic outlook and its choice of issues leave a mark on business in its sector. The agency determines "the agenda". As a result, business is increasingly working with issues chosen by the agencies. This binds us to established systems and hampers new thinking, development, and our own agenda-setting' (Redbrandt, 1990, p. 2; cf Redbrandt 1991a).

To summarise, there is no doubt that central SAF actors had a fundamental problem with SAF's influence on labour market government agency boards. On this view, SAF representatives could only exert marginal influence on policy deci-

sions; they were described as being held hostage to a policy that was completely contrary to industrial interests. Policy was instead made by powerful pro-regulation coalitions, composed of union representatives and agency officials, with the backing of the Social Democratic government. Such alliances were seen as having the so-called agenda-setting privilege – something SAF wanted to break. This effort was seriously impeded by SAF’s very presence on the boards.

Then, did central SAF actors also examine how the perceived influence problem could be solved at the time? As we have seen, central SAF actors discussed the need to ‘formulate demands and proposals of our own’, as well as the need for a more offensive SAF strategy, which was

‘difficult to reconcile with traditional participation in government agencies, in which all important issues are managed according to the agenda and needs of the government agencies’ (Redbrandt, 1991a, p. 4).

Thus, a prerequisite for solving the influence problem was to release SAF from the constraints of participation on the government agency boards. This would make ‘the position of SAF ... stand out more clearly’, and also make possible a ‘gathering of forces around the issues [deemed] important by companies’ (ibid, p. 17).

However, this was by no means regarded as sufficient; it was also important, as is evident from the memorandum that formed the basis for the withdrawal decision in 1991, that ‘[t]he most efficient working methods are ... utilised’ (ibid, p. 17) to a greater extent than before.

‘Projects and policy are promoted by public opinion-building and direct contacts with decision-makers and government agencies’ (ibid, p. 17).¹⁷

Here, Redbrandt argues for a stronger focus on lobbying and public opinion-building in SAF activity relating to government agencies. Such a strategy was perceived to offer SAF the greatest influence on policy-making. Moreover, the memorandum makes it evident that the qualitative improvements expected to result from SAF’s acting more independently, without constraints from earlier board positions, were to be combined with other (both quantitative and qualitative) improvements to the lobbying operations.

‘Informal contacts between SAF and the government agencies are to be increased. Initiatives are to be taken by SAF. This holds for the managerial level as well as for the relationship between SAF experts and the government agencies. It is important to influence the central offices’ management of the government agencies on a regional and local level’ (ibid, p. 18).

¹⁷ See also p. 4, where it is made evident that ‘the interests of our partners ... should be pursued through, among other things, confidential contacts and the building of public opinion’.

It is also evident from the memorandum that increased ventures into lobbying and public opinion-building were also associated with economic re-dispositions and re-prioritisations in SAF's budget (*ibid*, p. 4).¹⁸

The memorandum both emphasises and supports lobbying and public opinion-building as efficient methods of influencing policy processes in government agencies. This must be understood within a wider context. During the 1970s, SAF had developed partially new working methods, aimed at exerting a greater influence over public decision-making. A special lobbying unit, called 'Riksdag and Secretariat contacts', was established in 1978. The same year, the organisation's division for public opinion-building was substantially strengthened, in part by the establishment of Timbro, a market-oriented think-tank, and by reactivating Näringslivets fond (the Swedish Industry Fund) (De Geer, 1992, p. 190f; 1989, p. 289f; Bresky et al., 1981, p. 203ff). However, the effort to improve the capacity for public opinion-building and to give it a more durable and coherent direction had been going on since the late 1960s, when Sture Eskilsson (then at the SAF Department of Social Contacts) began to air his famous memoranda on the SAF board (De Geer, 1989, p. 327-332; 1992, p. 190; Hansson and Lodenius, 1988, p. 9).¹⁹

It is notable that the invigorated venture into *informal* methods of influence, lobbying and public opinion-building were carried out without a corresponding deprioritisation of the more *formalised* and *institutionalised* methods of exerting influence. During the greater part of the 1980s there was still very strong support within SAF for a centralised negotiating system, and for participating in public commissions of inquiry, on government agency boards, and in the referral process, where reports from public commissions of inquiry are referred for consideration (see De Geer, 1989, p. 178, p. 287ff, p. 343 and p. 358. See also Johansson, 2000). New strategies were tested in order to break the political hegemony of the left without neglecting the traditional corporatist ways of exerting influence.

For a long time, until Laurin and Tunhammar took office, with strong backing for their reforms,²⁰ SAF management pursued a wait-and-see policy regarding this development, lacking clear priorities as to methods of exerting influence. This was partly due to the management's lack of clear visions for the future of SAF, and partly due to a wish to maintain a heterogeneous organisation, charac-

¹⁸ There was also a strategy for dealing with the scenario that probably would evolve in the wake of the anticipated decorporatisation: that at least some individuals with industry background would sit on the boards with personal mandates, rather than with organisational mandates. SAF would then develop special contacts with such board members: 'The SAF secretariat should stay in contact with entrepreneurs who are on the boards with personal mandates, and, at convenience, invite these to discussions' (p. 18).

¹⁹ About SAF's opinion formation activities from that time, see also Hansson, 1984; Boréus, 1994, pp. 111-128.

²⁰ About the mandate for reforms, see De Geer 1992, p. 167 and p. 179.

terised by strong subcultures within the secretariat, and overlapping these with marked differences in opinion amongst SAF's member federations and partners.

Redbrandt had strong backing when he composed his withdrawal plan, in the form of an activist-minded chairmanship. This made it possible to drop corporatist working methods in favour of what was seen in activist circles as a considerably more effective means to, if possible, break the working-class movement's dominance over the decision-making of government agencies. Judging by the records of the 1990-1991 SAF board discussions, the period leading up to the decision to wind up SAF's participation on the boards, there is no indication that Tunhammar and/or Laurin (chair) would have made a different assessment than Redbrandt concerning the efficiency of the different working methods. 'SAF would be able to exert greater influence on various issues through alternative working methods,' as the SAF chair put it in his argument for SAF's withdrawal from the government agency boards (SAF:s styrelse 1991, p. 16).

To summarise, it is possible to conclude that central SAF actors had considered how the influence problem could be solved on the part of SAF. The plan was to make it happen through abolition of interest representation on the boards, making it possible for SAF to act more freely and focus its efforts on questions of vital importance to the organisation's members. This would take place through an expansion of and focus on SAF's lobbying and public opinion-building, which were working methods judged to be considerably more effective than formal representation on the boards.

If viewed from an influence perspective, should SAF's decision to seek decorporatisation of the government agency boards be regarded as a *rational* choice?

This question is not as trivial as it might initially seem, even when the arguments of the central SAF actors are considered. First, a greater potential for SAF influence on government agency policy was no end in itself. Essentially, it was about accomplishing a fundamental change in the way labour market and economic policy was being made, aiming for far-reaching deregulations in areas relevant to private business (see, eg, Svenska Arbetsgivareföreningen 1990; Redbrandt, 1991a, p. 4. Cf Laurin, 1991a, pp. 9-16). Second, there was a tradition within SAF, which was officially sanctioned in 1985, that operated in the same context as the anti-corporatism regarding the composition of the boards. Björn Tarras-Wahlberg, head of the division for Riksdag and Secretariat's contacts in the early 1980s, functioned as a pioneer of this tradition – seeking, with American neo-liberal inspiration, increased parliamentary direction, and control and revision of the government agencies, in order to bring about a 'regulation slaughter' in public administration (Organisationernas Inflytande, 1984d, p.26).²¹

²¹ Examples of early SAF arguments in support of increased parliamentary management, control and revision of the government agencies, with the aim of bringing about radical deregulations for the benefit of Swedish industry, include Tarras-Wahlberg, 1980, 1981, 1983. Cf Markstedt, 1982 and Sundberg, 1982.

We are then left with the paradoxical circumstance that central actors within SAF – specifically Grafström, Redbrandt and Tunhammar – who were involved in the moulding of SAF’s official policy in the mid-1980s, both concerning anti-corporatism and the recommendation for increased parliamentary control of government agencies – simultaneously experimented with two different, apparently contradictory, types of projects. These were aimed at steering the implementation of official policies in a direction more favourable to the members of SAF. The individuals who argued in favour of the idea of decorporatisation, and for an increase in the influence of industry over the government agencies, also wished to restrict and weaken the same agencies’ room for manoeuvre and decisional authority. How is this odd case to be understood?

To shed light on the circumstances, it seems necessary to return to some texts composed by Grafström and Redbrandt in 1984 as parts of SAMPOL. In these texts, we find the view that ‘SAF must design an apparatus for development and influence that can survive changes in political power’ (Organisationernas Inflytande, 1984a, p. 4. See also Organisationernas Inflytande 1984b, p. 2).

Placing full trust in increased parliamentary control of government agencies was seen as a very risky way for the organisation to accomplish ideologically motivated deregulation of Swedish industry. It assumed governmental and parliamentary decisions pointing in that direction, and a new way of thinking in the governing of social democracy, which was seen as rather unlikely.²² At the same time, an opportunity for stronger political control of the government agencies carried a certain risk, as the activists saw it. Who really knew what to expect from a state interventionist social democracy that did not hesitate to make a socialist thrust if the opportunity arose?

It is important to note that the activist wing of SAF and Swedish industry harboured clear doubts regarding the social democratic relationship to socialism, as well as a generally pessimistic view of the future direction of the social democratic government. The many cuts and changes in the question of employee investment funds during the 1970s and early 1980s – activist writing of such history does generally not stretch further back – offered ample evidence for such a sceptical attitude.

Considering the above, it is also possible to understand how, on the one hand, an increase in parliamentary control of government agencies, and on the other, a

The official SAF position was articulated in an interest paper (Svenska Arbetsgivareföreningen, 1985) concerning a report from the Public Commission on government Agency Management (Verksledningskommittén) but was preceded by internal discussions within the SAMPOL project ‘Organisationernas inflytande’. See Ander, 1984, p. 4; Redbrandt 1983, p. 4f; SAMPOL 1984b, p. 2. See also the interview with Göran Tunhammar in SAF-tidningen, 1985.

²² See, eg, Göran Tunhammar quoted in SAF-tidningen 1985: ‘Several cabinet members, including the Prime Minister, have spoken about the need for a cleansing of the rules. But I am doubtful as to whether we will see any real improvements’, p. 16.

decorporatisation of the same, were understood as two complementary plans to bring about desired policy outcomes on industrial and economic issues (see also Redbrandt 1991a, p. 4). The great advantage of the former was that, compared with the latter, it presumed to a much lesser extent that SAF and industrial organisations would use a considerable part of their resources in directing public policy towards industrial policy goals. Nevertheless, the main problem was that, when it came to the question of parliamentary control of public administration, the Swedish Parliament and the government had the initiative, whereas SAF became an onlooker. In light of an uncertain future, Swedish industry had to cultivate its own garden. This situation vouched for the continued vitality of the decorporatisation strategy, and for it to remain a *rational* choice from an influence perspective.

What about the assessment of the effects of a unilateral SAF withdrawal? Neither Laurin nor Tunhammar expressed themselves limpidly during the SAF board discussions. Laurin confined himself to asserting that ‘SAF’s withdrawal will be troublesome as far as the legitimacy of other parties is concerned’ (SAF:s styrelse 1991, p. 19), while Tunhammar stated ‘that there is a point ... in LO losing its legitimacy if SAF leaves’ (ibid, p. 19). Whether these statements are to be understood as empirical predictions of an anticipated cause of events, or as manifestations of personal normative notions of legitimacy, is impossible to decide without taking into consideration contexts other than the SAF board discussion.

It is clear that the two possibilities are not mutually exclusive, and if other statements from the same individuals are taken into account, strategic reasoning plays a part: ‘decorporatisation is an ... element that is especially advantageous to SAF, since we to a large extent control it ourselves’, Laurin (1991a, p. 17) argued in the pamphlet ‘Farväl till korporatism!’ (Goodbye to corporatism!), published briefly after the SAF decision to withdraw from the boards. The SAF chairman went on to describe the significance of the 1991 withdrawal decision: ‘Hence, the dismantling of yet another cornerstone of the old, centralistic Swedish model, is launched’ (ibid, p. 17). ‘With this momentous shift, we tear down old structures,’ Tunhammar (1991b, p. 165) stated in the same pamphlet.²³

Tunhammar’s mode of expression is similar to the one used by Janerik Larsson some years earlier:

‘If SAF decided to leave the National Labour Market Board (AMS) today, the construction of AMS would collapse like a house of cards. It is built on party representation. ... [T]he whole construction would go to rack and ruin’ (Svenska Arbetsgivareföreningen, 1989).²⁴

²³ Cf Tunhammar 1992: ‘SAF has started to tear down old constructions.’

²⁴ Debate following a presentation by af Winklerfeldt, p. 3.

Adding to the line of consequentialist metaphors is Redbrandt's (1999) stool metaphor:

'We [the advocates of a withdrawal] argued that, if we leave – and this is what was later happened – the model falls, so to speak. I have a saying; you can sit on a three-legged stool, but if you saw off one leg, you can sit and balance for a while, but not for very long.'

This interview statement ex-post is not to be seen as a rationalisation of motives; this is evident when the memoranda Redbrandt composed as material for the SAF board's considering of the question of withdrawal is taken into account:

'SAF has ... criticised corporatism and the representation of organisations on the boards for several years. It has not had the intended results. A continuation of public opinion-building of the kind we have been pursuing can't be expected to produce results within the foreseeable future. Hence, we ought to harden our approach' (Redbrandt, 1990, p. 3; cf Redbrandt, 1991a, p. 4).

The idea that representation of SAF on the boards constituted an empirical prerequisite for trade-union representation was mentioned by Redbrandt – together with Grafström – as far back as in the early 1980s, in connection with SAF's internal investigation, which is known by the acronym SAMPOL:

'Our participation in corporatist arrangements bestows legitimacy on our opponents. LO and TCO should also be included' (Organisationernas Inflytande, 1984d, p. 21).

'Through SAF's participation [on government agency boards], the participation of trade union is legitimised' (Organisationernas Inflytande, 1984c, p. 3).

In conclusion, the activist consequentialist reasoning regarded a unilateral SAF withdrawal from the boards as a *strategic* decision, aimed at undermining the prerequisites for a continued representation of trade unions. It was seen as both an important and the probable scenario in the wake of a unilateral SAF withdrawal.

The above should be supplemented by information about how the activists actually valued SAF's participation on the boards. They were – as has become clear from the hostage metaphor – of the understanding that the SAF board representatives rarely brought about any meaningful results, and that the conception of SAF as a counterbalance to trade union representation was a chimera. The general idea was that no appreciable influence would be lost, even in the short run, if SAF decided to withdraw unilaterally from the government agency boards. Such an idea was, of course, an important prerequisite for a unilateral withdrawal to be seen as a *rational* choice.

R&B's evidence²⁵

R&B's positive evidence of how SAF *reasoned* about government agency boards is built around two assertions presumed to convey something essential regarding SAF's motives. More precisely, the two statements are considered to constitute empirical evidence of SAF's conception of the agency boards – from a public policy perspective – as being insignificant arenas, void of meaningful political power.

The first assertion is based on what SAF stated in an interest paper (a comment on a proposal referred to for consideration by interest groups), in connection with the final report of the Committee on Management of government Agencies.

‘In its interest paper to the Committee on Management of government Agencies, SAF ... explicitly refers to the fact that political control over the boards is so far-reaching that there is no room for strategic decisions, which they consider a prerequisite for working effectively on the boards’ (Rothstein and Bergström, 1999, p. 78f).

It is true that SAF made this statement in its interest paper, but the same text also deals with many other things that are neither considered nor mentioned by R&B.

One example is the sizable amount of text devoted to SAF's argument for *greater* political control (from the Swedish Parliament and the government) over the government agencies. In this argument, one can find passages like the following:

‘The activity of companies is controlled by an increasingly troublesome amount of regulations. Nowadays, the majority of the regulations do not originate from the Riksdag and the government, but from various government agencies. This development is, among other things, a consequence of the increased popularity of so-called skeleton laws. ... The system of regulation has become too extensive, difficult to grasp and expensive. So far,

²⁵ The test of R&B's evidence takes as its starting point the so-called motive statements (‘motivations’ and ‘general motive statements’) that form the basis for conclusions about an actor's motives. Focusing on explicit statements from the actors themselves is not the only possible way of reaching conclusions about an actor's motives (see the procedure in Rothstein and Bergström, 1999; cf Hadenius, 1984). However, the criticism of alternative procedures is convincing enough. See Berman (1998) and Lewin (1994). In particular, Berman's apt criticism of the public-choice tradition can also be pointed at R&B's method of inferring motives from objective descriptions of the character, purpose and function of government agency boards: ‘Most political economy explanations ... do not distinguish between reality and actors' perceptions of it. Instead, they assume that actors have access, if not to perfect information, then at least to relatively full and accurate information. If this were not the case – if there were a large gap between reality and political actors' perceptions of it – then it would be impossible to predict the behaviour of political actors based solely on knowledge of their material interests and an examination of their economic environments, as most political economy analyses do’ (Berman 1998, p. 31).

what has been done to simplify the regulations has been entirely insufficient. Business is severely restrained' (Svenska Arbetsgivareföreningen, 1985, p. 3; see also p. 3ff in this source).

It may seem paradoxical that the main part of SAF's interest paper indicates an understanding of the political influence over relevant government agencies as weak, given the quotation that R&B use as an illustration of the opposite. Nevertheless, SAF's comment becomes consistent and comprehensible if the ambiguity in some SAF language is taken into account.

It is by no means obvious that the meaning implied by SAF's wording, 'strategic decisions', is identical to R&B's *comprehensive* decisions. An alternative interpretation, consistent with both the comment as a whole and with SAF's plans for a radical change of the corporatist system, is that 'strategic decisions' *are such overall decisions that imply/make possible radical changes of the activity.*²⁶

The other piece of evidence referred to by R&B is an interview with Redbrandt. His understanding is commented upon by simply noting that

'the picture is confirmed by Redbrandt, who argues that the board representatives could do nothing more than criticise decisions already taken' (Rothstein and Bergström, 1999, p. 79).

In order to accept that R&B's thesis really is 'confirmed', the reader obviously wants to see statements from the respondent pointing in such a direction (evidently, this holds also in the case of a statement that is directly contrary to one's own thesis). The authors do not provide any such statement; Further, the statement given seems too vague and ambiguous to function as evidence for R&B's reaction hypotheses. An alternative interpretation of the statement, which also seems consistent with the respondent's known style of reasoning, is that Redbrandt argues that SAF board representatives were not particularly successful when it came to setting the agenda that determined the direction of the boards' activities.

Conclusions

The empirical evidence for R&B's reaction thesis as an explanation for SAF's withdrawal from labour market agency boards is, when scrutinised in detail, extremely weak. In contrast, there are a number of positive examples of what is rejected by the authors, namely that there existed a long-term and well-planned

²⁶ As an important element in this argument, the formulation is problematic in yet another respect, namely that the temporal discrepancy between the comment on the report from the Public Commission on government Agency Management (1985) and the withdrawal decisions (1990/1991) is so notable. From this perspective, using a 1985 statement as one of two *conclusive* pieces of evidence for how SAF reasoned in 1990-91 is ill-founded.

power-political design, a relatively sophisticated *strategy*, behind the withdrawal of SAF. By reference to these long-term and well-planned power-political considerations, it is possible to explain – in intentional terms – why SAF decided unilaterally to withdraw from bodies such as the board of AMS and the board of ASS in the early 1990s.

A part of SAF's objective was to set aside the conditions for continued representation of the trade unions on labour market government agency boards. This way, SAF would be able to open up a system of party participation where influence over important policy processes in AMS and ASS became dependent on access to organisational resources for lobbying and public opinion-building, to a much greater extent than in the corporatist system. In this aspect, SAF thought it had an advantage over the trade unions, an advantage linked to the withdrawal decision that would also be accentuated by the restructuring of SAF's working methods.

From a long-term perspective, it was a matter of making a recapturing of the agenda-setting initiative possible, regarded by many as having been, over several decades, in the hands of trade unions and administrative officials loyal to the Social Democratic government. Essentially, it was a question of paving the road for a change of system regarding labour market and industrial policies.

However, as I have shown in other contexts (Johansson, 2000; 2003), it is wrong to describe the withdrawal from the government agency boards, or even the anti-corporatist ideas, as projects with the support of all of SAF or all of Swedish industry. SAF was a heterogeneous organisation in the 1980s, as well as in the early 1990s, with wide-spread doubts, and in some cases even considerable opposition, to the ideas of anti-corporatism and unilateral SAF withdrawal, as discussed in the secretariat and SAF board.

The ideas of anti-corporatism and of a SAF withdrawal from the government agency boards are better described as projects of the activists. It is within this subculture we find the strongest support for a SAF acting more offensively on public-policy matters. Within the same group, we find the strongest backing for intensifying the organisation's capacity for lobbying and public opinion-building, together with a steadfast resistance to SAF's participation in corporatist arrangements. Within this subculture, we also find the most intense willingness to facilitate the abolition of all institutional arrangements that cemented the influence of LO over public policy.

It should be stated that the activist group was a minority within SAF in the 1980s. Therefore, there were many impediments to implementing the idea of far-reaching decorporatisation of the labour market sector. In light of this, the discrepancy between the organisation's official anti-corporatist position on interest representation on government agency boards adopted in 1985 and its position on the issue of withdrawal (implying a general withdrawal first in the early 1990s) is less remarkable. The remarkable thing was, by contrast, that the turning in 1985

of SAF's attitudes towards corporatism was possible at all, given the comparatively weak position of the activist culture. How this came to pass, and the central, if not spectacular, role played by a group of administrators at the SAF secretariat, despite their lacking formal positions, has been thoroughly examined in Johansson (2000) and Johansson (2003).

In conclusion, I have, in this chapter, as in other contexts, dealt with SAF sub-cultures. I have maintained that SAF's withdrawal from government agency boards can be explained by reference to a shifting of power relations between such organisational subcultures. What has been designated here as SAF activism would perhaps be described by some as applied neoliberalism, a reflection of a far greater, even world-wide, radical political movement, and by others as reflecting the victory of a corporate-friendly, customer-oriented culture over the bureaucratic culture within SAF. In my view, both approaches are relevant and contribute to understanding of SAF's withdrawal from the government agency boards. However, I argue that *activism* is a more appropriate term for describing this movement within SAF. It is a term that is more elucidating, with less normative connotations and greater validity and applicability when dealing with organisations with political aspirations.

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Chapter 5.

Classes, sectors and political cleavages

Kåre Vernby

Since the heyday of power resources theory it has been argued that a country's choice of welfare model, broadly construed to mean the extent to and way in which the state intervenes in and manages the economy, reflects the organisational strength and cohesion of unions and leftist parties (Korpi, 1983; Esping-Andersen, 1990; Stephens, 1979). In a telling statement Esping-Andersen argues that the characteristics of unions 'will decisively affect the articulation of political demands, class-cohesion, and the scope for labor party action' (1990, p. 29). While still insisting on the causal importance of producer group interests, recent research calls for scrutiny of this approach. The line of attack is twofold. First, the power resources approach has been charged with neglecting the key part played by employers or organised business in the shaping and support of the welfare state (Swenson, 1997; 2002; Mares, 1997; Martin, 1995). Second, recent research indicates that the assumption of cohesiveness of business and union interests is partly unfounded. Most notably, scholars analysing the emergence and dismantling of collective bargaining institutions, preferences for central bank independence, exchange rate policy and industrial policy argue that the varying distributional consequences of political arrangements for the traded and non-traded (or sheltered and exposed) sectors breed cleavages that cut across class lines (Elvander, 1988; 2002; Pontusson and Swenson, 1996; Swenson, 1991; 2002; Iversen, 1999; Frieden, 1991; 2002).

I provide a test of whether political cleavages among organised business and unions conform to the class or sectoral perspective. Using a spatial model, similar to those frequently used in the study of voters and legislatures, I analyse new survey data on the policy preferences of 59 Swedish unions and business organisations with regard to 16 proposed broad-ranging economic policy reforms covering most areas of relevance to the constituencies of these organisations. The organisations represent both exposed and sheltered sector wage earners and businesses. By including a large number of political issues, and a sizeable number of affiliates of organised unions and businesses, in both the traded and nontraded sectors, I enhance the current state of the literature in two ways. First, by including organised business in the analysis, 'union-centrism' is avoided. Second, I avoid some of the limitations inherent in in-depth qualitative research by sacrificing a more detailed account in favour of a more general. Thus, I obtain a picture of the cleavages among a sizeable number of organisations, representing

different types of constituencies. Further, this picture is based on a larger number, and broader scope, of political issues than is usually the case. Given that case studies of particular organisations, and of particular policy processes, are frequently the methodology of choice in this area of research, this sacrifice seems warranted. At a minimum, it can be justified in the name of methodological pluralism. Finally, analysing these organisations' political preferences within the framework of a spatial model provides a clear conceptualisation of what is meant by a political cleavage.

The results show that class is the dominant source of organisational preferences and thereby political cleavage, although smaller, but statistically significant cleavages between traded and nontraded sector organisations also exist. Hence, taking a sizeable number of organisations into account, including organised businesses, and across a wide variety of political issues, the class hypothesis receives strong support. It appears that the traded/nontraded divide is not, as some authors would have it, more important than the class divide in the determination of political cleavages.

I will proceed in the following steps. First, I give an overview of the spatial model of political preferences, showing how it can be used to describe the relation between organisations' ideal political positions (their 'ideal points') and how it can be used to describe the differing perceived distributional consequences of political outcomes. From this discussion, the operational definition of political cleavage will also become evident to the reader. The data that serve as a basis for the empirical section are also described. Second, the estimated positions of organisations and political outcomes are interpreted qualitatively. Third, the organisations' political positions are regressed on the class and sectoral belongings of their constituencies. The results from the second and third part of the analysis support both the sectoral and the class perspective. That is, whether or not an organisation's constituency is primarily located in the exposed sector and whether it represents business or wage earners affect the kind of policy preferences it has. However, the results from the regressions also show that class is more important than sector in determining the political positions of these organisations. The concluding discussion poses the question of the extent to which these results can be generalised to other advanced industrial democracies.

Estimating a spatial model of economic policy preferences

The spatial model

Categorising groups according to whether they represent 'exposed sector', 'sheltered sector', 'business' or 'wage earner' constituencies, gives rise to expectations about their economic and welfare policy preferences. That most economic and welfare policies have distributional consequences is what motivates this type of argumentation. Different groups are differentially affected by policies, some

positively, others adversely. A standard and very general function, capable of describing an organisation i 's utility from political outcomes, is $U_i=f(c_{i1}, \dots, c_{in})$, where c_{ij} is some consequence j , such as the level of transfer programs or the generosity of social services. These kinds of tax-financed government services are probably dear to the hearts of many union constituencies. But the union's constituency might also derive utility from the amount of resources remaining with private enterprise. This affects future investments, which in turn affect future employment, productivity, wage growth, and – in the end consumption (see, eg, Przeworski and Wallerstein, 1982; 1988).

A few constraints on the utility function need to be added in order to proceed. The first is that the group is better off the larger is the c_{ij} , ie $\partial U_i/\partial c_{ij} > 0$. In the example, this simply implies that a union will prefer more welfare programs *and* investment to less. The second restriction is that of decreasing marginal utility, ie $\partial^2 U_i/\partial c_{ij}^2 < 0$. In the example, this implies that the higher taxes are, and hence the more spending there is on transfers and social services, the lesser will be the future investments that can be given up while keeping the union's constituency at the same level of welfare. The final restriction is the budget constraint on the total amount, $\sum_{j=1}^n c_{ij}$, that can be obtained. For instance, there is a fixed amount that can be distributed between profits and taxes. For the running example, these three restrictions imply a situation like the one depicted in the left part of Figure 5.1. Under the assumption that the union prefers more welfare programs and private investment to less, and that both of these exhibit decreasing marginal utility, there now exists a single preferred point, the ideal point, where the indifference curve is tangential to the budget constraint. Any move away from this point – either more money going to taxes, or more money going to profits – will constitute a less preferred policy outcome for the union.

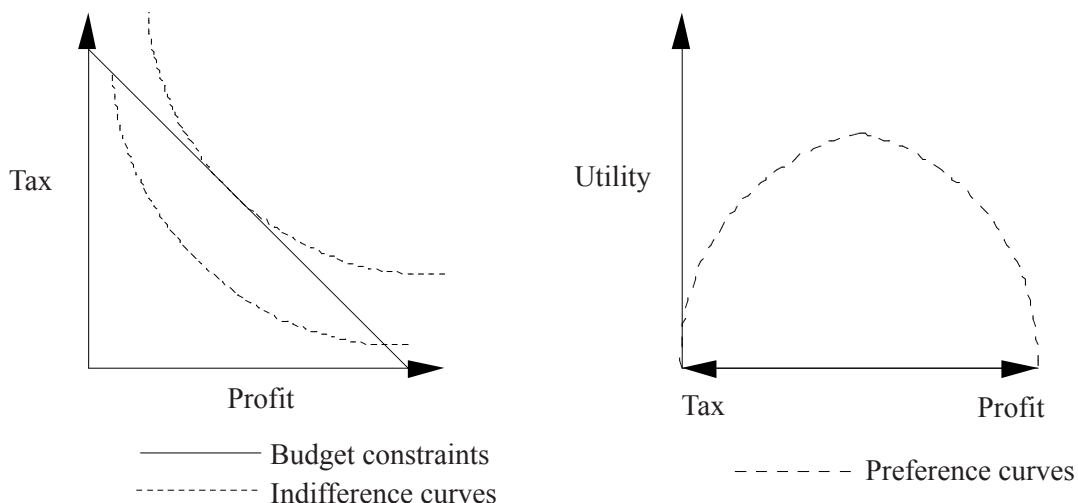


Figure 5.1 The spatial model.

Given the above restrictions, an organisation's utility from, and thereby its degree of preference for, a policy outcome can be described in terms of the Euclidean distance between organisation i 's ideal point, described by the vector of coordinates \mathbf{x} , and the policy outcome, described by the vector of coordinates \mathbf{y} : $d(\mathbf{x}, \mathbf{y}) = (\sum_{k=1}^m (x_k - y_k)^2)^{1/2}$ where x_k and y_k are coordinates in m -dimensional space (Ordershook, 1986, p. 32-37). So, the organisation's utility is a function of the distance between its ideal point and the policy outcome, $U_i = f(d(\mathbf{x}, \mathbf{y}))$. The organisation will prefer policy outcomes that are at lesser Euclidean distance. Turning to our example, we can see the correspondence by laying the budget constraint flat, as is done in the right part of Figure 5.1. This depicts the one-dimensional case, $m=1$, where any move away from the union's ideal mix of taxes and profits is associated with a decline in utility for the union. In sum, policy outcomes and ideal points are represented as a vector of coordinates in m -dimensional space, and the organisation's utility from a particular policy is a negative function of the distance between the two. That different organisations have different ideal points is at the very heart of political conflict, and is what gives rise to political cleavage. Finding the location of policy outcomes and organisational ideal points provides us with information on the existence of distinct political cleavages between organisations.

Estimation

Appropriate scaling for estimating the relative location of ideal points and policy outcomes in joint space, given Euclidean preferences, is provided by an 'unfolding' model (Jacoby, 1991; Van Schuur and Kiers, 1994). According to Van Schuur and Kiers, when data conform to the multidimensional unfolding model the application of factor analysis frequently results in a solution containing an artificial factor.¹ Essentially, what unfolding attempts to do is to find a configuration of ideal points and policy outcomes that is consistent with the preferential responses of organisations.² That an organisation's preference for a particular policy outcome can be described by the function can be utilised to estimate the rank order of the distances between pairs of policy outcomes. Because, if preferential responses to policy outcomes are monotonically related to Euclidean distance, and under the assumption that the ideal points are distributed in a certain fashion, either the maximum absolute differences or minimum sums obtained from the organisations' preferential responses can be used to obtain the rank

¹ For reference, however, factor analysis was also performed. The substantive results did not differ from those obtained from multidimensional unfolding.

² I will use a stepwise procedure where I first estimate the relative locations of policy outcomes and then estimate the ideal points in relation to the policy outcomes. The reason is that, as the dimensionality of the space required adequately to represent distances between all ideal points and policy outcomes increases, the number of parameters/coordinates that need to be estimated increases, creating an identification problem. See Jacoby (1991, p. 67-70).

orders (Rabinowitz, 1976).³ The approach suggested by Rabinowitz examines all observations, ie the preferential responses of organisations, to find the subset most suitable for obtaining the rank orders between pairs of policy outcomes. Further, it uses both maximum absolute differences and minimum sums for ordering.⁴

The ordering of pairs of policy outcomes does not tell us anything about how many dimensions are needed to account for the variation in the organisations' preferential responses to policy outcomes (ie how many latent variables are needed to account for the varying responses to suggestions for reform). This is accomplished by non-metric multidimensional scaling. The configuration of policy outcomes will be placed so that the inter-outcome distances as closely resemble the ordering of pairs as possible. How closely these two correspond (for various dimensionalities) is measured by the stress value,⁵ which increases with poorness of fit, and by the squared correlation between the two (R^2), which increases with goodness of fit. These measures will be used in a fashion analogous to how eigenvalues in factor analysis are employed (ie in the scree test) to determine dimensionality. If the addition of a dimension produces only marginal improvement in the goodness-of-fit statistic, it is reasonable to opt for the most parsimonious model. Of course, which dimensionality is appropriate is ultimately determined by the degree of substantive interpretability.⁶ When a configuration of policy outcomes is obtained, distances between outcomes indicate perceived differences in distributional consequences.

Finding the ideal points of the organisations – locating them in the same space as, and relative to, the policy outcomes in a way that is as consistent as possible with their preferential responses to the policy outcome constitutes the last step of the scaling part of the analysis. A stress value for each estimated ideal point is calculated.⁷ This value indicates how well the distances between the ideal points and the policy outcomes correspond to the recorded organisational preferences for various policy outcomes.⁸ In the final part of the analysis, the ideal points of

³ The distributional assumption is that many of the ideal points lie close to the straight-line segments connecting policy outcomes in m-dimensional space.

⁴ The reason for utilising more than one observation per pair for which a rank is needed has to do with ameliorating the problem of weak-partial orderings and measurement problems (see Rabinowitz, 1976). I used Jacoby's (1993) macro for the computational procedure.

⁵ Here, S-stress, which measures the degree of correspondence between the squared distances, and Stress 1, which measures the degree of correspondence between the distances, are used.

⁶ In the factor analysis that was performed for reference, the results from the solution applying the scree test were identical in terms of how many dimensions were needed, and which policy outcomes ended up scoring high on each dimension.

⁷ Here stress-2 is used to measure the degree of correspondence between the original distances and those between the estimated ideal points and the estimated positions of the policy outcomes.

⁸ The average stress value also provides another indicator of the extent to which the preferential responses were generated by organisations making similar consequential judgments about

organisations are regressed on the class and sectoral characteristics of their constituencies.

Data

To locate policy outcomes and ideal points the organisations' preferential responses to policy outcomes are necessary. These are taken from survey data from an investigation conducted among elites in Swedish unions and organised business.⁹ In the autumn of 2002 a questionnaire was administered to two key representatives in each of 76 organisations. First, a list of the organisations of relevance to the study was established. The substantive criterion used for generating this list was whether the groups were likely to be engaged in economic and welfare policy. The result was a list of the five peak associations of organised business and labour, the Confederation of Swedish Enterprises (Svenskt näringsliv), the Confederation of Private Enterprises (Företagarnas riksorganisation), the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Associations (SACO) and the Swedish Confederation of Professional Employees (TCO), and also their respective affiliates.¹⁰ This list comprised about 115 organisations. From it were chosen the 76 with most members (number of employees in companies that were members in the case of organised business) and staff employed at their central offices.¹¹

Questionnaires were sent out to the chair and vice-chair or president of each of the selected organisations.¹²

In the questionnaire they were asked about their organisation's stance on a wide range of suggested economic policy reforms, including monetary policy,

policies, but having different ideal points (ie different ideal points on the budget constraint, and hence different degrees of preference for policies).

⁹ The data will be made available publicly in 2005. Any requests should be sent to the author.

¹⁰ Two additional organisations not belonging to any peak associations were included. They were the Syndicalists (SAC) and the Swedish Association for Managerial and Professional Staff (Ledarna).

¹¹ Due to the fact that organisations were asked of their relationships with other organisations (for the purpose of another part of this project), the list had to be narrowed down to 76. The information on membership/employees in member companies was obtained from Statistics Sweden. The number employed at central offices was obtained from the organisations' own material, and in some cases by contacting them directly and asking. When selecting the 76 organisations, I first chose all the peak associations. Then, I selected 36 union affiliates by ranking them according to membership and staff. SAC and Ledarna were included in this draw. The ranking was obtained by performing principal components analysis on these two variables (which were highly correlated with an $r > .8$), and then selecting the 36 with the highest factor scores. A similar procedure was applied to select 35 organised business affiliates; only here were staff and number of employees in member companies used as indicators of 'importance' (Again, $r > .8$).

¹² I made sure that at least one of the two respondents from each organisation worked at their central headquarters full-time. In most cases, both chair and vice-chair or president did, and in a handful of cases only one. In a few cases there was no functional equivalent of vice-chair or president. In such cases, high ranking organisational officials were chosen.

fiscal policy, privatisation, unemployment insurance, active labour market policy, and workers' protection.¹³ Their preferential responses were recorded on a scale ranging from whether they thought reform was 'a very bad idea' to whether they thought it was 'a very good idea'.¹⁴ Eighty-two percent of the chosen organisations answered the questionnaire. Of the organisational representatives, 56 percent responded – meaning that from some organisations both answered and from some only one. In cases where both representatives of the organisation answered their responses were averaged, leaving me with the stances of 59 organisations (see Appendix 5.1) on a number of suggested political reforms, each on a nine-point scale.¹⁵

Results

In Table 5.1 goodness-of-fit statistics for the ordering of pairs of policy outcomes and the subsequent scaling of outcomes are shown. First, Spearman's rho is rather high, which tells us that the assumptions of the procedure for ordering pairs of political outcomes are fairly well met.¹⁶ Therefore, it makes sense to go on to explore how many dimensions are needed to represent these relative distances. Table 5.1 shows three measures of goodness of fit for several dimensional solutions. The one-dimensional solution seems too simple to capture the relative ordering of policy outcomes.¹⁷ The improvements in all these measures when adding a second dimension are large in relation to those when a third dimension is added. Further, the goodness-of-fit measures for the two-dimen-

¹³ The reforms included were mainly selected on the basis of saliency during the years 2000-2002, and cover most of the major issues in the political debate concerning Swedish economic policy where there had been organisational involvement. The issues should be roughly representative of the kinds of political issues that draw the attention of unions and organised interests in Sweden.

¹⁴ The survey question was: 'The following list contains a number of suggestions that have been put forward in the general political debate. What is your organisation's position on each of them?' This question was followed by a list containing statements such as 'Lowering of total taxation', 'Swedish membership of the EMU', 'Lessening of union control over the administration of unemployment insurance'. For each of these statements, respondents could indicate their organisation's position on a five-point scale ranging from 'a very bad idea' to 'a very good idea', where the middle category was 'have not taken a position'.

¹⁵ Since responses were averaged for those organisations where both representatives answered, the scale includes the values 1, 1.5, 2, 2.5 up to 5. Before their responses were averaged, the average correlation (Pearson's r) between the answers for representatives of the same organisation was 0.6. In virtually no instances, however, did the representatives give answers that were on opposite sides of the 'neutral' position.

¹⁶ Spearman's rank correlation between the ordering obtained by using only maximum absolute differences or minimum sums, ie the orderings obtained by using the preferential responses of organisations with different ideal points, indicates whether the assumptions of the method for ordering pairs are satisfied (see Rabinowitz, 1976).

¹⁷ According to the rule of thumb proposed by Kruskal (1964), $\text{stress} < .1$ is considered 'fair fit', while $\text{stress} > .2$ is considered 'poor fit'.

sional solution are also fairly good in absolute terms. Therefore, I opt for the more parsimonious of the latter two solutions.

Table 5.1 Political cleavages.

Measures	Ranking	Dimensions			
		1	2	3	4
Spearman's rho	.601				
stress		.191	.086	.052	.033
S-Stress		.162	.100	.054	.036
R ²		.887	.969	.986	.993

In Figure 5.2 the estimated locations of the economic policy outcomes from the two-dimensional solution are shown. Although the exact locations of policy outcomes should not be taken too literally, a clear and substantively interpretable pattern emerges. First, the ordering of policy outcomes along the horizontal dimension can be interpreted as going from what we may call left to right, reflecting the distributional conflict between business and wage earners.¹⁸ Outcomes go from clearly leftist policies – legislated reduction of working hours, strengthening of employment protection and increasing maximum unemployment insurance – through policies with unclear distributional consequences for business and wage earners as classes – working life discrimination, environmental taxes, monetary and exchange rate policy – to what is typically regarded as business friendly policies – privatisation, tax reforms and the reduction of union power.

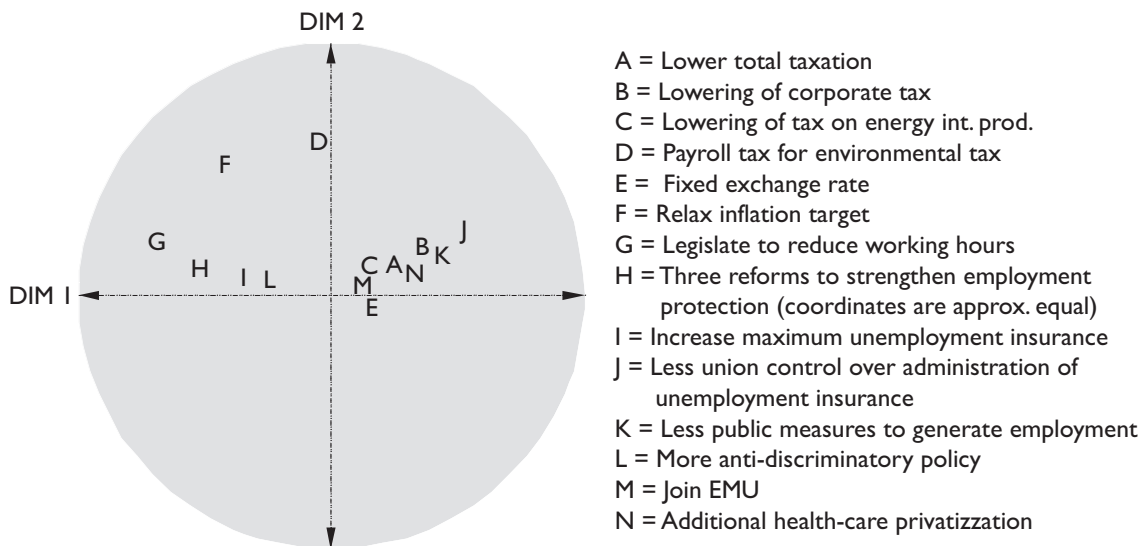


Figure 5.2: Estimated configuration of policy outcomes.

¹⁸ It should be noted that we can rotate the axes (orthogonally) in any manner. The distances between policy outcomes will remain the same. The particular rotation displayed in Figure 5.2 simply eases the interpretation

Turning to the vertical dimension we see that the most extreme outcomes concern issues of monetary policy, exchange rate policy and environmental policy. In the theoretical literature, exchange rate/monetary policy is expected to be related, albeit complicatedly, to cleavages between the exposed and sheltered sectors. And, looking at the exchange rate and monetary policy issues included here does indeed suggest that the vertical dimension represents a cleavage between the two sectors. The Swedish independent central bank (*Sveriges Riksbank*) has been commissioned to maintain price stability since 1998, with adjustments to the interest rate as the policy instrument. The bank has interpreted the goal of price stability as 2 ± 1 percent. At the time, the reform attracted much criticism for making price stability the overriding goal at the expense of employment. 'The reform puts a straightjacket on politicians,' as one Social Democratic MP who voted against his own party's official position noted (*Helsingborgs dagblad*, 26 November 1998). In general, exposed sector wage increases are tempered by the objective of maintaining international competitiveness, with or without the disciplining force of the inflation target. However, since sheltered sector employees are not exposed to international markets, they are more likely to accept a bit more inflation in return for employment, to the detriment of the exposed sector. With the inflation target, however, it becomes impossible to maintain employment by allowing higher rates of inflation, and wage militancy should be reduced. The chair of *ALMEGA*, a joint cooperation between six service sector employers' associations, has on several occasions reminded public sector unions that excessive wage increases might be self-defeating (eg *Göteborgsposten*, 1 November 1999; *Svenska Dagbladet*, 4 January 2003). Similarly exposed sector union representatives can be counted on to react when public sector dissatisfaction with wages starts to grow, as when the Municipal Workers' Union (*Kommunal*) decided to renegotiate its three-year wage settlement (eg *Göteborgsposten*, 23 October 2002). Thus, exposed sector unions and business should be more favourably disposed towards a low inflation target, since it keeps sheltered sector wage increases in check. The sheltered sector unions, however, might be more favourably disposed towards a slightly slacker inflation target, since it allows for higher wage increases and the maintenance of domestic employment and consumption.

On the issue of the European Monetary Union (*EMU*), the European Central Bank (*ECB*) does seem to emphasise tight money, with an inflation target of 0-2 percent. The economists of the Confederation of Swedish Enterprises (*Svenskt näringsliv*), the Confederation of Private Enterprises (*Företagarnas riksorganisation*), the Swedish Trade Union Confederation (*LO*), the Swedish Confederation of Professional Associations (*SACO*) and the Swedish Confederation of Professional Employees (*TCO*), who served as experts on the commission concerning the scope for stabilisation policy in the monetary union, pointed out in a joint statement that Sweden has exhibited more inflationary wage increases than

the rest of Europe. Delegating responsibility for the interest rate to the *ECB* would therefore preclude any adjustments based on tendencies specific to Sweden (Bornefalk, et al., 2002). Losing the ability to stabilise downward economic trends that are specific to Sweden (and thereby fight unemployment) is an important reason for the retail services union opposing membership of the *EMU* (Handelsanställdas förbund 2002). In an article expressing his dissatisfaction with the volatility of the Swedish krona and worries that the *Sveriges Riksbank* will exceed its target, the chairman of the *EMU*-positive exposed sector union *Metall* takes the opposite stance. He argues that the capacity for long-term planning of production and sales is crucial to achieving employment and increases in real wages, and that Sweden must join the *EMU* to obtain the requisite stability (Johnsson, 2001).

Finally, the fact that schemes which involve increasing and decreasing taxes on energy-intensive production lie at opposite ends of the vertical dimension indicates that it represents a cleavage between the exposed and sheltered sectors. When employers and unions in the exposed sector got together in March 1997 to discuss prerequisites for industrial development in Sweden, they reached a formal agreement (*Industriavtalet*) on a number of political issues, in which it was stated that ‘the cost of electricity is now higher than in the main competitor countries ... Taxes and charges that do not exist in other countries will further weaken the competitive position of industry in Sweden’ (Industriavtalet, 1997). Later, the Industry Committee, which was founded in connection with these endeavours, commented in an information referral to the Swedish Parliament that domestic electricity prices meant that Swedish firms were unfairly discriminated against when competing with firms in other countries. Further, the committee also commented upon the suggestion that one could increase taxes on energy, and at the same time lower tax on work for firms managing to reduce their energy consumption. It noted that this would be detrimental to many firms, since there was no scope for them to lower their consumption (Industrikommittén, 2000). The sheltered sector, which is more insulated from world markets, uses substantially less energy (since it mainly consists of public and private services), and might be more inclined to see the environmental and fiscal advantages of taxing energy.

The next stage of the analysis was to locate the organisations’ ideal points in policy space to make them as consistent as possible with their expressed preference orderings over the 16 economic policies. The extent to which this can be done varies somewhat, but generally preference orderings are consistent with the relative distances of the policy outcomes.¹⁹ In order to provide the reader with

¹⁹ The average R^2 is .973, and the average stress (as measured by Kruskal’s Stress 2) is .166. Kruskal and Wish (1978, p. 50) point out that ‘values of Stress 2 are generally more than double those of Stress 1 for the same degree of fit’. Therefore, when using Stress 2, more generous goodness-of-fit criteria apply.

some ‘snapshots’ of the results, Figure 5.3 shows the estimated ideal points of some of the larger affiliates of the peak associations included in the study. First, we can examine the general patterns in the estimated ideal points. The distances between the organisations do lend some credibility to the previous interpretation of the political cleavages. There is a clear gulf between organised business and unions; all the unions’ ideal points, except that of the Association of Graduate Engineers (*Cf*), lie to the left in policy space, while all organisations representing business lie to the right. Also, there seems to be a sectoral cleavage, where exposed sector organisations *Metall*, *Cf*, the Swedish Union of Clerical and Technical Employees (*Sif*) and the Association of Engineering Industries (*Vi*) lie below their sheltered sector counterparts. One public sector union, the National Union of Teachers in Sweden (*Lr*), and two organisations representing businesses that are rather more insulated from international competition, the Association of Hotels and Restaurants (*Shr*) and the Federation of Retailers (*Ha*), lie clearly above the mid-point on the vertical dimension.

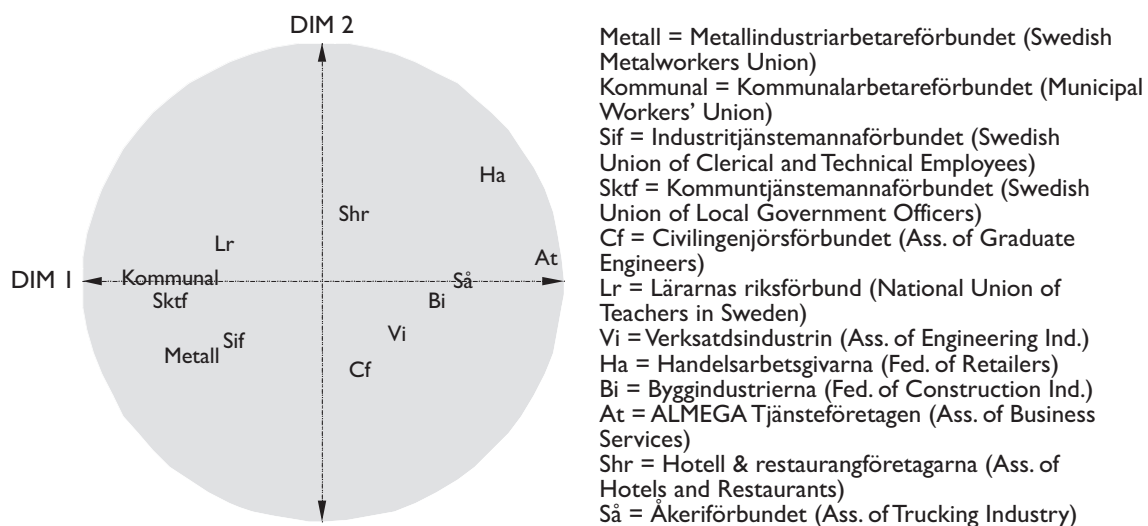


Figure 5.3: Estimated ideal points for some of the larger union and business affiliates.

In sum, the results obtained from the multidimensional unfolding analysis indicate that there are two important dimensions along which political cleavages among organised business and wage earners occur. Further, visual interpretation indicates that these dimensions represent the distributional conflict between, on the one hand, business and wage earners, and, on the other, between the exposed and sheltered sectors.

Classes, sectors and political cleavages

Moving on from these rather impressionistic visual interpretations and ‘snapshots’ of the structure of conflict between organised business and unions in Swe-

den, the final part of the analysis consists in examining the relationship between organisations' positions in political space, and the class and sectoral belonging of their constituency. I do this both in order to validate the conclusions about political cleavages arrived at by visual inspection and to gauge how crucial the class and sectoral models are to understanding political cleavages between organised business and unions.

The class belonging of an organisation's constituency is determined by applying the traditional distinction between 'business', 'white-collar workers' and 'blue-collar workers'.²⁰ The sectoral belonging of an organisation is determined by reference to whether it has an exposed or sheltered sector constituency. I label organisations, unions and organised business, whose constituencies are located in industry (manufacturing, processing and raw materials) as belonging to the exposed sector. The unions and business organisations representing the service sector (public and private) are classified as sheltered sector organisations (see, eg, De Gregorio, et al., 1994).²¹ In other words, organisations are classified according to the types of goods in whose production their constituencies are involved.

To validate the visual inspection, and to gauge the explanatory power of the class and sectoral model, Table 5.2 displays the results of a regression analysis. The rightmost column presents multivariate tests of the overall effects of class and sector on political cleavages. Do class and sectoral belonging explain these organisations' positions on dimensions 1 *and* 2? The two dependent variables obtained from the analysis in the previous section differ.²² The MANOVA F-

²⁰ Organisations are coded as either business, white-collar union or blue-collar union according to the 'class' of their constituency. Thus, the coding coincides with whether the organisation's peak-organisation belonging is to Svenskt Näringsliv or FR (business), LO (blue-collar union confederation), or white-collar confederation (SACO or TCO). See the discussion in Olin Wright (1986) for an impressive attempt to justify the commonplace supposition that these groups can be arrayed on a right-left continuum. A model with a dichotomous variable, where white-collar and blue-collar workers were grouped together, was also tested to check on the robustness of the findings. This model provided a poorer fit-to-data, but the substantive results were the same.

²¹ That the exposed sector should be defined with reference to production of goods that are traded on international markets (ie both export and import competitors) and the sheltered sector as those who have no such production is not uncontroversial. But, what constitutes tradable goods is somewhat more ambiguous. Traditionally, a distinction has been made between manufacturing (including processed and unprocessed raw materials) and services (public and private). That the former are traded and the latter nontraded has received strong empirical support (De Gregorio, Giovanni and Wolf, 1994). And although trade in services increased somewhat during the 1990s, it still accounts for a rather small share of total exports in most countries (Hufbauer and Warren, 1999). I will therefore retain the distinction, labelling organisations (unions and organised business) whose constituencies are located in industry (manufacturing, processing and raw materials) as representing the exposed sector, and those representing the service sector (public and private) as sheltered

²² More specifically, the MANOVA F-test provides a way of evaluating whether the joint bivariate distributions of organisations' dimension-coordinates are significantly different between groups (eg whether the locations of exposed sector organisations differ significantly

tests show that the sector and class variables have joint as well individually significant effects on these organisations' mean locations on dimensions 1 and 2. This shows that there are significant differences between organisations' locations in political space, according to both the sectoral and class belongings of their constituencies.

Table 5.2 Determinants of organisations' locations across the two policy dimensions.

	Dimensions		MANOVA-test for no overall effect ^a
	1	2	
Exposed Sector	.353 (.191)	-.401* (.164)	5.862 *
Business	2.761* (.218)	.453* (.188)	79.002 *
White-collar	.918* (.238)	.027 (.206)	7.782 *
Intercept	-1.625* (.191)	-.186 (.165)	
Full model			15.309 *
R ²	.777	.202	
Incremental contribution: ^b	2.312	5.927*	
Exposed sector			
Class ² -variables	61.16*	4.859*	
N	59	59	

Parameter estimates are OLS. Entries in parentheses are standard errors. *Statistically significant at the .05 level. ^aMANOVA F-test statistics are based on Pillai's Trace. ^bF-test statistics for no incremental contribution of variables to R².

Turning to differences between organisations on the individual dimensions shown in the columns labelled 'Dimensions' (1 and 2) in Table 5.2, the results indicate that both white-collar unions and organised business are, on average, located more towards the right of political space than blue-collar workers. This is evident from their significantly higher average scores on Dimension 1.²³ Further, exposed sector organisations are, on average, located more to the right than their sheltered sector counterparts. This difference, however, does not pass the test of significance on any of the conventional levels except .10. The results support the conclusion reached by visual inspection, ie that the horizontal dimension (Dimension 1) reflects the distributional conflict between 'classes' (between left and right). Turning to group differences on Dimension 2, we see that, on average, exposed sector organisations have significantly lower scores than those representing sheltered sector constituencies. This indicates that there is merit to the inter-

from those of sheltered sector organisations), taking into account the correlation between the two dependent variables. For an introduction to MANOVA (the analysis of multiple dependent variables), see Bray and Maxwell (1988).

²³ An additional result not evident from Table 5.2 is that the mean difference between organised business and white-collar workers is also significant at conventional levels.

pretation of the vertical dimension (Dimension 2) as representing the distributional conflict between the exposed and sheltered sectors. Also, organised business has significantly higher scores on Dimension 2 than do blue-collar unions, while white-collar unions do not differ significantly from the latter on this dimension.²⁴

Finally, and since significant effects of the class and sectoral models might not tell the whole story, the incremental contribution of the class and sectoral variables to R^2 was evaluated. This was achieved by comparing the R^2 of models containing only the sectoral *or* the class variable²⁵ with those encompassing both Dimension 1 *and* Dimension 2. The explanatory contribution of the sectoral variable to Dimension 1 is not significant. The class variables, however, do contribute significantly to explaining variation in organisations' locations on this dimension. In substantive terms R^2 increases by .74 when the class variables are added to the sectoral variable, but only by .02 when the sector variable is added to the class variables. The class variables thus contribute 37 times more to explaining varying positions on Dimension 1. Turning to Dimension 2, we see that the inclusion of the sectoral variable, as well as the class variables, adds significantly to explaining the varying positions. The substantive contribution to R^2 of the exposed sector variable is .08, while adding the class variables increases R^2 by .14. Looking at both the significance and substantive contributions of the class and sectoral models to explaining the varying positions of organisations along the dimensions, the class model comes out on top. The class variables explain more, and their contribution is significant on both dimensions. Computing the average contribution of the sectoral and class models to explaining the varying positions along dimensions 1 and 2 lends additional support to this conclusion. The average contribution of the sectoral model is $.10/2 = .05$, while the average contribution of the class model is $.88/2 = .44$.

In sum, these results do not only indicate that the visual interpretation of the previous section was correct, but also clearly shows that there are important political cleavages between blue-collar and white-collar unions and organised business, irrespective of their sectoral belonging. However, the results also indicate that there are sectoral divisions within the camps of labour as well as business. In this sense, both the sectoral and the class hypotheses are confirmed.

²⁴ That organised business is located higher on the vertical dimension, even after controlling for its constituency being located in the exposed or sheltered sector, indicates that we can rotate the solution obtained. The location of the horizontal dimension in the rotation displayed in Figure 5.3, is determined by those organisations that have the largest political distance on that dimension. A slightly different rotation could lead to better congruence between our substantive interpretations of the horizontal and vertical dimensions and the actual coordinates of the organisations. The political distances between organisations, and between organisations and policy outcomes, would however remain the same, as would our qualitative conclusions.

²⁵ These reduced models are not included in Table 5.2

However, when we look beyond the significance of mean differences between organisations, and look to the relative performance of the two sets of variables in terms of their ability to account for the varying ideal points of organisations, there is ample evidence of the superiority of those that measure class. Thus, both perspectives are important for understanding political divisions among organisations, but the class variables are ‘more’ important.

Conclusion

I set out to evaluate whether the sectoral and class perspectives could help us understand political cleavages over economic and welfare policy, and if so, which of them had greater explanatory power. The political preferences of a comparatively large number of organisations were included in the study. I addressed recent complaints, that the literature has previously focused exclusively on unions, by including data on organised business. The analysis showed that there were two main political cleavages along which organised business and unions align. The political positions of organised business and unions differed significantly, as did the positions of exposed and sheltered sector organisations. However, the class of an organisation’s constituency was found to be a more important predictor of its political positions.

A key aspect that sets Sweden apart from many other OECD countries is the presence of ‘strong socioeconomic institutions’, ie peak associations, with the capability of coordinating their member affiliates’ political preferences.²⁶ If Garrett and Lange (1995) are correct in assuming that these types of domestic institutions work as an intermediate factor to dampen sectoral conflict, we would expect the sectoral hypothesis to be disadvantaged in relation to the class hypothesis. That I do find sectoral tensions even in Sweden suggests that tensions of this kind will be present, and perhaps even more important, in countries where peak associations are not as strong.

Still, a note of caution is necessary. Among the OECD countries normally studied in comparative political economy, Sweden exhibits a reasonably high degree of economic openness. If we couple this with the claim that in coordinated market economies labour and capital are rather immobile, we would expect that Swedish workers and businesses would be more immediately concerned with the distributional effects of policies for the traded and nontraded sectors than in other countries.²⁷ The class hypothesis would then be disadvantaged when applied to the case of Sweden. However, immobility might not only affect the degree of sectoral tensions, but also the amount of class tensions.

²⁶ Studies of both historical and contemporary decisions important to unions and organised business in Sweden lend some support to the view that Swedish peak associations have this coordinating capacity. See Öberg (1994; 2002).

²⁷ See, eg, Hall and Soskice (2001) for the argument that factors of production are more immobile in coordinated market economies. For a critique, see Hiscox and Rickard (2002).

Recent work has brought the concept of factor mobility to bear on demand for social protection, suggesting an inverse relationship (Iversen and Soskice, 2001). If immobility combined with openness is expected to lead to increased sectoral *and* class tensions, the class hypothesis would not be unfairly disadvantaged in this study after all.

Finally, some tentative remarks about the preconditions for stability and change in Swedish economic and welfare policy are warranted. That the most important political cleavage is between the organisations representing blue-collar workers and business, with white-collar workers occupying a pivotal middle ground will be reassuring to those who are afraid that the coordinating tasks of Swedish Governments and other societal actors would become more cumbersome if conflict along sectoral lines became common. Well-defined class interests have, arguably, played an important role in the crafting of class compromise and the broad welfare state. The social coalitions that, according to some authors, have made the Swedish politico-economic model work well in spite of the unusually high political presence of special interest groups seem to be largely intact.²⁸ However, and as any observer of Swedish politics of late has noticed, unions and to some extent the business community, are torn on issues regarding the EMU and the question of Swedish membership.

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²⁸ For the classic statement, as well as more recent and less enthusiastic remarks, see Olson (1982; 1995).

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Appendix 5.1. Names (in Swedish and English*) of the 59 organisations participating in the study

Akademikerförbundet SSR The Swedish Union of University Graduates	Handelsanställdas förbund <i>The Commercial Employees' Union</i>
Allmänna industrigruppen The general industry group	Handelsarbetsgivarna <i>The Swedish Commerce Employers' Association</i>
ALMEGA Samhallförbunden Almega Samhall Employers' Association	Hotell och restaurangfacket <i>The Swedish Hotel and Restaurant Workers' Union</i>
ALMEGA Tjänsteförbunden The Association of Business Services	HTF The Salaried Employees' Union
Bruksindustriföreningen <i>The Iron and Steel Works Association</i>	Industrifacket The Industrial Workers' Union
Civilekonomerna The National Union of Business Administration and Economics Graduates	Ingenjörssförbundet The Swedish Association of Engineers
Civilingenjörssförbundet The Association of Graduate Engineers	Journalistförbundet The Swedish Union of Journalists
Elektriska installatörsorganisationen (EIO) <i>The Swedish Electrical Contractors' Association</i>	Jusek The Association of Graduates in Law, Business Administration and Economics, Computer and Systems Science, Personnel Management and Social Science
Energiföretagens arbetsgivareförening The Association of Energy Employers	Läkarförbundet The Swedish Medical Association
Fastighetsanställdas förbund The Swedish Building Maintenance Workers' Union	Lärarnas riksförbund The National Union of Teachers in Sweden
Finansförbundet The Financial Sector Union of Sweden	Livsmedelsföretagen <i>The Food Industry Enterprises</i>
Företagarnas riksorganisation The Federation of Private Enterprises	Landsorganisationen i Sverige (LO) The Swedish Trade Union Confederation
Försäkringsbranschens arbetsgivareförbund <i>The Swedish Insurance Employers' Association</i>	Maskinentreprenörerna <i>The Association of Swedish Earth Moving Contractors</i>
Glasbranschföreningen <i>The Federation of Glazing Contractors</i>	Media- och informationsarbetsgivarna <i>The Swedish Media Employers' Association</i>
Grafiska fackförbundet The Graphic Workers' Union	Officersförbundet <i>The Officers' National Association</i>
Grafiska företagens förbund <i>The Swedish Graphic Companies Federation</i>	

Plåtslageriernas riksförbund <i>The Employers' Association of Swedish Plateworks</i>	Sveriges byggindustrier The Swedish Federation of Construction Industries
Polisförbundet The Swedish Police Union	Sveriges hamnar Ports of Sweden
Sif The Swedish Union of Clerical and Technical Employees	Sveriges hotell- och restaurangföretagare The Swedish Association of Hotels and Restaurants
Skogs- och lantarbetsgivareförbundet The Federation of Swedish Forestal and Agricultural Employers	Sveriges redareförening The Swedish Shipowners' Association
Skogs- och träfacket The Swedish Forest and Wood Workers' Union	Sveriges trafikskolors riksförbund <i>The Swedish Association of Driving Schools</i>
Skogsindustrierna <i>The Swedish Forest Industries Association</i>	Sveriges verkstadsindustrier The Swedish Association of Engineering Industries
SKTF The Swedish Union of Local Government Officers	Tandläkarförbundet The Swedish Dental Association
Statstjänstemannaförbundet The Union of Civil Servants	Tjänstemannens Centralorganisation (TCO) The Confederation of Professional Employees
Svenska åkeriförbundet The Swedish Association of Trucking Industries	TEKO-industrierna The Swedish Textile and Clothing Industries' Association
Svenska byggnadsarbetareförbundet The Swedish Building Workers' Union	Trä- och möbelindustriförbundet <i>The Wood and Furniture Industry Association</i>
Svenska elektrikerförbundet The Swedish Association of Electricians	Vårdförbundet The Swedish Association of Health Professionals
Svenska kommunalarbetareförbundet The Swedish Municipal Workers' Union	VVS-installatörerna <i>The Building Services Contractors</i>
Svenska livsmedelsarbetareförbundet <i>The Swedish Food Workers' Union</i>	
Svenska målareförbundet The Swedish Painters' Union	
Svenska metallindustriarbetareförbundet The Swedish Metalworkers' Union	
Svenska pappersindustriarbetareförbundet The Swedish Paper Workers' Union	

* Note: Names are often presented on the websites of the organisations in question. These are taken wherever possible. Otherwise, a *fairly literal* translation has been performed of each organisation's name (marked in italics).

Chapter 6. Power and trust: the mechanisms of cooperation

Torsten Svensson and PerOla Öberg

Introduction

There is a growing literature on *varieties of capitalism*, showing that relations between the main actors on the labour market and the way they coordinate are of vital importance to the economy and democracy in all countries (Crouch, 1993; Traxler et al., 2001). Firms must develop relationships to ‘resolve coordination problems central to their core competencies’ (Hall and Soskice, 2001, p. 5-6). The issues that, it is proposed, need to be coordinated involve not only wages, but also lots of other political and economic matters that affect overall economic performance (Hall, 1999, p. 144). In some countries, coordination has emerged spontaneously and rests on market mechanisms. In others, labour market actors are coordinated through non-market relations and are even involved in (tripartite) concertation (Hall and Soskice, 2001; Regini, 2003; Compston, 2003). According to Hall, central actors in coordinated economies have ‘a dense network of associations for coordinating their actions on wages, training programs, research, and other matters’ (Hall, 1999, p. 143). However, knowledge of how such relationships are constituted and how the mechanisms of such coordination work is lacking.

Hall and Soskice admit that their (and their colleagues’) approach is ‘still a work in progress’ (Hall and Soskice, 2001, p. 2). Acknowledging this, we argue that more research is needed to understand the actual mechanisms of coordination. This is what we aim to contribute in this chapter about Sweden, a country that everyone agrees should be categorised as a coordinated market economy with wide and frequent concertation (Wood, 2001; Compston, 2003).

Coordination might arise spontaneously in some countries, while in other coordinated market economies, the government, unions and employers are involved in formal negotiations over ‘any public policy relevant to the economic system’ (Armingeon, 2002, p. 84). Successful coordination of conflict issues, such as working conditions, prices, and employment, might be beneficial to economic growth and price stability. Since economic actors repeatedly interact with one another in these interconnected games, we argue that there are some basic mechanisms that affect most of the activities in the sector. As argued by other researchers on political economy, there are ‘three fundamental mechanisms that achieve a degree of co-operation in economic behaviour. These mechanisms

are power, the market and trust' (Korczynski, 2000, p. 3). In this chapter, which focuses on coordinated market economies, we concentrate on the non-market mechanisms, namely power and trust.

As a first step towards a better understanding of the mechanisms of coordination, we have to find out how important actors relate to each other in a coordinated market economy. In order to assess this we pose the following question: *What actors have the power and trust to perform coordination?* However, to be able to answer this question, we need data that not only describe the bilateral relationship between two actors, but also possible *indirect* relationships. Hence, for example, two actors that do not trust each other might both trust a third actor that can perform the role of broker between them. It is important to know whether the mechanisms work through direct or indirect relationships. If relationships are indirect, it is also important to know which actors adopt the position of broker. Taking also indirect relationships into account, every actor in the industrial relations system might be connected with each other in a dense net of trustful relations. But the system structure could also be made up of separate groups, where group members trust each other greatly, whereas trust between members of different groups is rare. Hence we want to know: *Are actors in the industrial relations system connected, or are they divided into contending but coherent groups? In the latter case, do certain actors – playing the role of broker – connect these groups?* To be able to answer these questions we use 'social network analysis'. By doing so we are able to perform a much more precise study of the non-market mechanisms of coordination, involving power and trust, than has previously been presented.

The theoretical foundation

The theoretical foundation of this chapter is built upon the central idea that actors in coordinated market economies rely heavily on institutions that facilitate information sharing and collaboration *to reduce the uncertainty* actors have about the behaviour of others. These institutions should provide the capacity for exchanging information, monitoring behaviour, sanctioning defection, and encouraging deliberative proceedings. Powerful business or employer associations are, alongside strong unions, important actors within these institutions (Hall and Soskice 2001, p. 9-11). Hence, the political economy of coordinated market economies is dependent on a structure of *power* that can facilitate the monitoring of the behaviour of economic actors and, if necessary, sanction defection (from cooperation). Further, a structure that facilitates *deliberative* proceedings is needed in order to reach crucial agreements; a high level of *trust* is also necessary to make credible commitments possible. Essentially, this means that in order to understand the mechanisms of coordination – how the uncertainty of

relevant actors' strategies is reduced – we have to study the structure of power, trust and deliberation in the industrial relations systems.

The *structure of power* is an important component of discussions of how different institutional settings determine, for example, wage bargaining and wage inequality. It has been asserted that institutions are not only 'codified rules or formalized organizational arrangements but also government policy, and the *distribution of power* among organized interests' (Rueda and Pontusson 2000, p. 375, italics added). Hall and Soskice (2001, p. 10) emphasise the presence of institutions providing the capacity for the exchange of information, monitoring, and the sanctioning of defections relevant to cooperative behaviour. Hence, different labour market institutions affect the distribution of power and, consequently, the outcome of strategic interaction – between, for example, industrial policy-makers and trade union leaders (ibid, p. 5). Thelen (2001, p. 100), for example, sees non-market coordination as 'a dynamic equilibrium that is premised on a particular set of power relations – both within employer associations and between unions and employers'. Consequently, we have to identify the structures of power in any industrial relations system.

Our view on power is derived from the conventional understanding that it is based on an actor's ability to dominate other participants through possession and use of resources, and position within the power structure (cf Scott 2000, Chapter 1; Korpi, 1985; Öberg and Svensson, 2002). Hence, power within a labour market network should operate on these two dimensions. First, we want to estimate the *amount of influence* each actor has within the sector in general. This is measured by participants' assessments of the influence each of the other actors has within its sphere of activities (Knoke et al, 1996, p. 103). Second, since information might be considered a resource that some actors control and others desire, it is important to know how the actors involved evaluate the general *usefulness of the information* other actors can offer (Coleman, 1994, p. 34; Knoke and Kaufman, 1994). Possession and control of essential information are related to corrective as well as to persuasive influence (Scott, 2000). Third, we need information about how actors estimate the importance of having other actors as *allies*. An actor ranked high as an associate has the ability to facilitate the creation of a coalition that is needed but would not otherwise have been formed. Fourth, the frequency of contacts in the industrial relations system should be investigated in order to produce a map of the *communication* structure, where the centrality of different actors varies. The results can be interpreted as the activation of different power resources, eg in terms of the use of the power structure. This is also a useful corrective to other measures of power (Knoke, 1998).

As well as the structure of power, we contend that *trust* is crucial in promoting coordination in difficult situations. In the words of Farrell and Knight (2003, p. 542) '[t]rust and trustworthiness become relevant explanatory concepts when the

social cooperation to be explained cannot be reduced to simple institutional compliance'. Hence, although power and trust may affect each other, we agree with Farrell (2004) that the two concepts should not be conflated. There is ample evidence that people behave cooperatively when they trust that others will reciprocate cooperative behaviour (Tyler 2003, p. 281). Rueda and Pontusson (2000, p. 351) claim that the politics of wage restraint are essentially about trust and coordination. It has also been asserted that institutional structures that include 'the making of credible commitments' are important when national political economies experience external shocks (Hall and Soskice, 2001, p. 9-11). Accordingly, trust between the main actors in the labour market sector has been considered important in understanding success and failure in economic policy in a number of recent studies, eg in the Netherlands and in Sweden (Visser and Hemerijck, 1997; Rothstein, 2000; 2001). To combine the comments of two political scientists, it has been alleged that 'trustworthiness lubricates social life' (Putnam, 2000, p. 21) 'without which the wheels of society would soon come to stand still' (Elster, 1989, p. 253). It has even been suggested that a decline in trust between workers and management is one of the causes of the rising transaction costs that are reducing labour productivity in the US, and perhaps in many other advanced industrial economies (Levi, 2003, p. 84; Braithwaite, 2003, p. 350). However, so far no-one have been able actually to measure the level of trust, and investigate who has trust in whom, and how much. This is what we are doing here.

We argue that two important aspects of trust, related to Fritz Scharpf's concept of *weak trust*, should be focused upon:

'Weak trust implies at least the expectation that information communicated about alter's own options and preferences will be truthful, rather than purposefully misleading, and that commitments explicitly entered will be honoured as long as the circumstances under which they were entered do not change significantly' (Scharpf, 1997, p. 137).

Hence, first we want to know whether actors give the impression of having what we call *honest intentions* in their professional communications. To what extent do actors assume that others reveal their motives and facts before discussions or negotiations? Second, we want to establish the extent to which the actors of the labour market elite consider their colleagues to *keep their word* after reaching informal agreements.

For several reasons, Hall and Soskice (2001, p. 11) also emphasise the importance of *deliberative* institutions. Such institutions, they contend, 'provide the actors in a political economy with strategic capacities they would not otherwise enjoy', eg a common knowledge that facilitates coordination (ibid, p.12).

Deliberative proceedings in which the participants engage in extensive sharing of information about their interests and beliefs can improve the confidence of each in the strategies likely to be taken by others (ibid, p. 11).

Others have also emphasised the importance of identifying the character of mutual discussions, or the decision-making style, within the sector. Relations between actors are sometimes characterised by pure class conflict and rough negotiations; but, such relations may also take the form of mutually respectful discussions, or even rational talks (Rothstein, 2000; Öberg, 2002). Therefore, it is also important to include the structure of deliberation within the industrial relations system. We understand *rational deliberation* as a joint dialogical process (Bohman, 2000; Dryzek, 2000). This leads us to focus on participants' readiness to listen, and possibly change preferences in the course of a rational conversation (Öberg, 2002).¹ Hence, we want to measure whether the actors of the labour market elite *listen to each other's arguments and seriously take them into account*.

Summarising so far: To be able more precisely to characterise and understand the 'comparative institutional advantages' (Hall and Soskice, 2001, p. 36) of specific countries – that is, to understand the mechanisms reducing uncertainty in order to achieve coordination – we must be able to identify not only the structure of *power* but also the structure of *trust and deliberation* within their industrial relations system.

Social network analysis applied

How then, should we conduct an investigation into these characteristics of industrial relations systems? Comparative studies often rely on quite rough indicators of all the features of varieties of capitalism. In studies of industrial relations, the emphasis is mostly on employers' organisations and union density, coverage of collectively bargained contracts, and authority over different levels of organisations (eg Traxler et al., 2001). Actual relational data are surprisingly rare.² In our view, this is a deficiency. In order to investigate the structure of power, trust and deliberation, one has to pay attention to the *relationships* between the actors. The focus on relations leads us to use social network analysis, which demands data on relations between all the collective actors in the labour market elite. In the study reported here, this is achieved by asking all actors in the sample about their relation to each and everyone else with regard to these variables (technically speaking a 'full network' method).

¹ We disagree with Hall and Soskice (2001, p. 11) since they define deliberation as 'to engage in discussions and to *reach agreements* with each other' (italics added).

² The same relational view is expressed by Ottosson (1997) in his analysis of other empirical data on Sweden, regarding interlocking directorates in Swedish big business.

To repeat and specify the research questions, *first* we want to know which actor is most powerful, and which is most trusted. These two questions can be answered by measuring the importance of each actor in the eyes of all other actors regarding power and regarding trust. The technical term is centrality, which considers the number of links each actor has to all others (if actor A considers B to be powerful, there is a link from A to B), and also the strength of these links. Actors with many and strong direct connections with other actors are viewed as more powerful or trusted than actors with few and weak links.

Second, we want to characterise the structure of the relationships between the actors within the labour market. Are all actors closely connected with each other with regard to power and trust or are they divided into specific subgroups? If the latter is the case, do certain actors playing the role of ‘broker’ keep the groups together? Coordination should imply some type of connection, direct or indirect, among the main parts of the labour market. If there are no links whatsoever between employers and labour, direct or through some other actor, coordination is absent. This also implies different ways of how the mechanisms – power and trust – might work. Coordination can rely on ties between several actors from different parts of the labour market. But, it can also rest on crucial links between a few but important actors even if there are generally strong divisions between the main parts of the system. The question can therefore be re-formulated as follows: Are the labour market actors related in such way so that they form strong subgroups, with or without brokers or bridges linking them together? There might be single actors that are looked upon as powerful or trustful to opposing camps, but with no other links to each other. Since these actors are crucial in connecting isolated parts of the labour market, they serve as brokers and are (supposedly) the coordinators in the system.

And *third*, if there are certain brokers of this kind, or certain links (bridges) between subgroups, what type of actor(s) do we find in the crucial positions?

We illustrate six different systems in the figure below (where each node represents an actor, and a line represents some kind of connection between them).

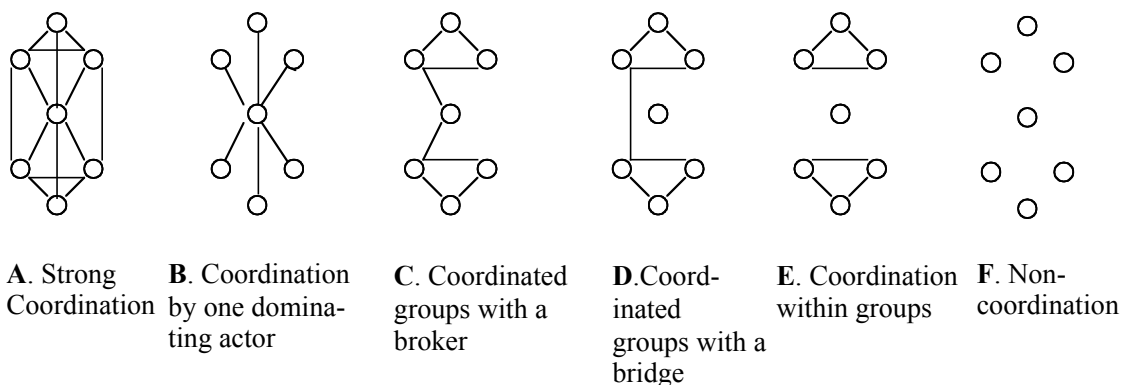


Figure 6. 1. Ideal types of coordination.

Illustrated in this way, the vagueness of the theory of *varieties of capitalism* becomes evident. The dichotomy between coordination and non-coordination seems to hide quite different ideas of how the two systems are constituted. A coordinated market economy – based on power or trust – can exist in four very different modes of coordination (A-D), and the liberal type of market economy can be characterised by pure non-coordination (F) or by coordination within groups but with a lack of linkage between the main parties to the labour market (E).

Survey and data

The study reported here is based on a survey of key actors in the Swedish labour market sector, conducted in the year 2000. We selected the largest and most important actors, which include political parties, government bodies and agencies, public and private employers' organisations, trade unions and large companies. However, in order to obtain answers from these collective actors, we addressed the questionnaire to a number of persons holding top positions within these different organisations. A total of 770 persons in these positions were identified. Hence, the study can also be regarded as an investigation of the labour market elite in Sweden. The collective actors and individual positions were identified according to the principles outlined in Table 6.1. A complete list of the political parties, organisations, agencies and companies is included in the appendix to this chapter.

Table 6.1. Principles for selecting collective actors and individual positions.

Actor	Selection ground for collective actors	Number of collective actors selected	Selection ground for positions	Number of positions	Response rate
Political parties	Parties represented in parliament	7	The executive boards	71	33.8 (24)
Parliamentary committees	Parliamentary committee on the Labour Market	1	All permanent members	17	58.8 (10)
The cabinet	Ministry of Industry and Commerce, and Ministry of Finance	2	Cabinet ministers, under-secretaries of state, assistant under-secretaries	75	28.0 (21)
Government agencies	All labour market agencies	5	Executive boards and managerial bodies	56	58.9 (33)
Public employers' organisations	All important organisations	3	Executive boards and managerial bodies	51	49.0 (25)
SAF <i>The Swedish Employers' Confederation</i>	Peak organisation and 10 largest federations	11	Peak org: executive boards and managerial bodies + experts. Federations: president, vice president and negotiating secretary	112	52.7 (59)
Trade and industry organisations	Two most important and largest	2	Executive boards and managerial bodies + experts	28	57.1 (16)
LO <i>The Swedish Trade Union Confederation</i>	Peak organisation and 10 largest affiliates	11	Peak org: executive boards and managerial bodies + experts. Federations: President, vice president and negotiating secretary	91	51.6 (47)
TCO <i>The Swedish Confederation of Professional Employees</i>	Peak organisation and 7 largest affiliates	8	Peak org: executive boards and managerial bodies + experts. Federations: president, vice president and negotiating secretary	78	67.9 (53)
SACO <i>The Swedish Confederation of Professional Associations</i>	Peak organisation and 5 largest affiliates	6	Peak org: executive boards and managerial bodies + experts. Federations: president, vice president and negotiating secretary	48	58.3 (28)
Companies	15 companies with most employees in Sweden	15	Managing director + deputy + board of directors	143	37.1 (53)
Total		71		770	369

The questionnaire was designed so that each individual, representing one leading position within a collective acting body (in some instances, representing more than one actor), answered nine questions in relation to all the 71 collective actors. From among the actors, one relatively minor player did not respond.³ For every question, reported in connection with the tables below, respondents were asked to estimate all collective actors on a scale with seven categories (apart from the question on contacts, which had six categories). On the basis of the median values of individual responses from the collective actors, it was possible to create a 70x70 matrix on each of the items. Data were scored on the basis of values 1 to 7 (corresponding to the scale used in the questionnaire). The scores were non-symmetric, meaning that the view of actor A on the power of actor B is not automatically the same as the estimate given by B on actor A. Excluding actors' relations to themselves left us with 4,830 relations on each question. This was the starting point for a quantitative network analysis, where the main focus was on actors' centrality. This gave us an opportunity to characterise the structure of relations between actors, and also subgroups.⁴

Technically, we used indegree as a measure of an actor's centrality. Indegree is a measure of the number (in the case of a dichotomy) or value of directed links towards a certain actor.⁵ In the tables below an actor's indegree can vary between

³ The proportion of individual respondents is just below 50 percent (369 individuals). Considering the demanding type of questionnaire, and that this is an elite survey, the response rate is quite satisfactory (see Öberg and Svensson 2002, Table 1 and Footnote 4). The missing actor is the Swedish Food Workers' Union [Livsmedelsarbetarförbundet]. In the process of creating a sample, some problems of demarcation arose. The selection is based upon size in combination with historical importance. This choice excluded one quite large union (with just over 60,000 members) that organises managerial staff – The Swedish Association for Managerial and Professional Staff (Ledarna). This would have been problematic if this group was central to the labour market network. In order to control for this type of problem in the survey, we asked respondents to mention actors of some importance, other than those explicitly given in the questionnaire, who they have contact with. Only one actor explicitly mentions this particular union. There are other actors mentioned as well, but none appears frequently. Our sample includes the important actors, and does not exclude any of considerable importance.

⁴ Since we wanted to find out the interlocks between different organisational spheres and were not primarily interested in the importance of individual actors with regard to sub-groups, we refrained from using cliques or k-plexes as measures of subgroups.

⁵ Indegree is a measure of directed links towards a certain actor. A normalised measure means that the value of degree is divided by the maximum possible degree expressed as a percentage. For further discussion of actor centrality and how to characterise networks, see, eg, Wasserman and Faust 1998; Scott, 2000.

The use of network analysis places heavy demands on the quality of data. There is one collective actor missing in the data. However, this is an actor of minor importance with regard to the research questions and of little consequence for interpretation. The picture regarding individual dropouts or individual mistakes is mixed. All large organisations, especially the peak organisations, and important authorities are quite well represented. Generally more than 50 percent of the individual representatives responded. The lowest response rates are to be found within big companies and political parties (see Öberg and Svensson, 2001, Table 1). However, there are some specific actors with low or very low response rates that

0 and 6 in the eyes of everyone else in the sample. Adding these ratings together an actor can have an indegree ranging from 0 (no-one considers the actor powerful or trustworthy at all) to 414 (everyone else – 69 actors – consider the actor to have the maximum value – 6 – of power or trustworthiness) in all cases, except for ‘contacts’ where the highest possible value is 345 (the highest possible value being 5).

In order to illustrate the relations between the actors graphically we combine indegree and presence of mutual links. Each circle represents an actor, and the size of the circle depends on the value of indegree. Two-way arrows represent mutual links. For example, if actor A contacts actor B and B does the same towards A, there is a mutual link; accordingly, the relation will be represented by an arrow. In order to discern the overall pattern of relations or cleavages between the main parts of the labour market, actors’ affiliations to different groups – political parties, state actors, private employer organisations, trade unions and companies – are marked in different shades. Note that neither the spatial locations in the figures nor the metric distances between the actors are interpretable.

The Swedish case

In this chapter we concentrate on Sweden, one of the countries classified as a coordinated market economy (Hall and Soskice, 2001, p. 19; Wood, 2002). Sweden has, with regard to almost all the important components of an industrial relations system, been found to occupy a more-or-less extreme position. Power over the labour market has been concentrated in peak organisations (Elvander 1988, p. 32; Fulcher, 1991, p. 76-81). These parties have supposedly been involved in intensive interaction that – at least during some periods – has taken the form of rational deliberation, characterised by high levels of mutual trust and consensual decision-making (Elvander, 1988, p. 42; Rothstein, 2001, p. 207). Also, Sweden is one of the coordinated market economies where national-level bargaining institutions have been ‘shored up’ by employers who have oriented their competitive strategies around ‘high value-added production that depends on a high degree of stability and co-operation with labour’ (Thelen, 2001, p. 73;

could have an influence on the results. In cases where a collective actor is represented by only one or few positions, individual differences within the organisations can have a considerable effect (eg the Left Party with one out of six, or the Industrial Workers Union where one out three responded). This forces us to adopt a cautious approach.

Apart from being non-symmetric, the network is valued as well. As the calculations involve dichotomisation of data, we can make use of this property in order to find a valid division. However, it should be pointed out that different dichotomisation leads to networks of different kinds, or at least of different complexity. On the basis of the variation of answers within the different questions (Öberg and Svensson, 2002) we maintain that the dichotomisation also reflect an actual variation, and underestimates differences. The network analysis is carried out using Ucinet, a program package developed by Martin Everett and Stephen Borgatti, Copyright (c) 1999-2000 Analytic Technologies, Inc.

Hall and Soskice 2001; Swenson, 2002). This cross-class alliance between organised labour and capital has been characterised as *negotiated solidarity* by Peter Swenson (2002, p. 34), a leading expert on Swedish industrial relations.

However, some of the characteristics of what once was called the ‘Swedish model’ have changed or even vanished over the past two decades (Hermansson et al., 1999; Swenson and Pontusson, 2000; Rothstein, 2001). This is said to have had important effects on the labour market regime (Fulcher, 1991; Visser 1996, p. 179; Elvander, 2002). Several studies of the development of Swedish industrial relations, above all regarding the bargaining system, interpret the changes as extensive and important (Swenson and Pontusson 2000, p. 78, p. 99; Wallerstein and Golden, 2000, p. 132-134; Iversen, 1998). Although recognising these changes, Thelen and others argue that, compared with changes in other countries, they should not be exaggerated (Thelen, 2001, p. 88; Elvander, 2002, p. 198; Svensson and Öberg, 2002).

So, if proponents of the *varieties of capitalism* interpretation of western economies are correct, we should expect industrial relations in Sweden to involve important coordinating mechanisms. If these mechanisms are in accordance with the classic Swedish model, then relations of power, trust and deliberation should be dense in each subgroup, but should also contain bridges between groups. Peak organisations and the state are the actors most likely to hold coordinating positions.

Power

Within the sphere of labour market politics the Swedish model has historically been characterised by interplay and a particular division of labour within a strong bipartite system, including peak-level organisations and a strong interventionist state (Rothstein, 1996). The private parties handled wage bargaining, and the Social Democratic government was strongly involved in legislation on labour protection and the pursuit of selective labour market policies to foster a solidaristic wage policy (Milner, 1990, Chapter 4). The firm centralisation of organised labour and capital was enforced by a cross-class alliance, with the employers and the state as the main actors (Swenson, 1991; 2002). Thus, peak-level organisations in Sweden have traditionally enjoyed significant authority over lower levels in the industrial relations system. Using the ideal types above (see Figure 6.1), we can describe the traditional system as similar to model C or D – coordination between groups with crucial bridges or brokers – where peak-level organisations have played a crucial role in tying the system together. However, according to some studies, this is one important component that has changed over the last decades (Golden et al., 1999, p. 215; Elvander, 1988, p. 45; Hermansson, 1993; Pestoff, 1995; Kjellberg, 2000; Hermansson et al., 1999; Johansson, 2000). According to analyses made by, for example, Swenson and Pontusson (2000, p.

78) we would at least expect peak organisations to be less powerful actors within the system. Thus, as a first step in the analysis we addressed the question of which actors are the most powerful.

Who has the most power?

The hypothesis pointing to less power for traditional actors in the Swedish model is inconsistent with our findings. To the contrary, our analysis indicates that the state and the peak organisations retain a powerful position. Tables 6.2-6.5 below show the highest ranked actors in terms of power, using a measure of actor centrality. The overall picture is similar, irrespective of the type of power resources we measure or whether we look at activation of power (Öberg and Svensson 2002, tables 4, 5 and 6). (As explained above, indegree in tables 6.2-6.5 is the sum of all other actors' estimations of actor A's power on a scale ranging from 0 to 6. Hence, if all other actors regard actor A as having maximum power, it obtains an indegree score of $69 \times 6 = 414$.)

Table 6.2. Which actors have most influence on the labour market?		Table 6.3. Which actors possess useful information for the labour market elite?	
Actors	Indegree 0-414	Actors	Indegree 0-414
Ministry of Finance	285	Ministry of Finance	246
Ministry of Industry and Commerce	264	SAF (peak organisation)	241
Social Democrats	255	Ministry of Industry and Commerce	237
Committee on the Labour Market	233	LO (peak organisation)	219
LO (peak organisation)	200	TCO (peak organisation)	218
Labour Court (AD)	198	Labour Court (AD)	216
SAF (peak organisation)	183	Committee on the Labour Market	212
National Labour Market Board (AMS)	182	National Labour Market Board (AMS)	204
TCO (peak organisation)	174	The Swedish Federation of Industry	198
National Board of Occupational Safety and Health (ASS)	170	SACO (peak organisation)	194
SACO (peak organisation)	148	National Board of Occupational Safety and Health (ASS)	193
The Association of Swedish Engineering Industries (VF)	139	Social Democrats	192
Swedish Metal Workers Union	139	Almega (service employers)	188
<i>Total number of actors in the network: 70</i>	<i>Min=46 Max=285 Mean=112</i>	<i>Total number of actors in the network: 70</i>	<i>Min=97 Max=246 Mean=150</i>
<i>Question asked: How much influence within your sphere of activities do the representatives mentioned below have?</i>		<i>Question asked: How useable do you consider information from those listed below?</i>	

Table 6.4. Which actors are the most desired as alliance partners on the labour market?		Table 6.5. Which actors within the labour market elite are the most contacted?	
Actors	Indegree 0-414	Actors	Indegree 0-345
Ministry of Industry and Commerce	209	Social Democrats	96
Ministry of Finance	206	SAF (peak organisation)	94
Social Democrats	202	LO (peak organisation)	87
Committee on the Labour Market	173	Ministry of Industry and Commerce	83
SAF (peak organisation)	168	Union of Service and Communications	66
TCO (peak organisation)	164	Employees Association (SEKO)	
Almega (Service Employers)	161	Swedish Union of Clerical and Technical Employees (SIF)	77
LO (peak organisation)	160	TCO (peak organisation)	66
National Labour Market Board (AMS)	154	Swedish Association of Local Authorities	64
Union of Service and Communications Employees (SEKO)	153	Swedish Association of Graduate Engineers (CF)	63
Swedish Metal Workers Union	150	Federation of Swedish County Councils	60
		Almega (Service Employers)	57
		Swedish Metal Workers Union	55
<i>Total number of actors in the network: 70</i>	<i>Min=61 Max=209 Mean=121</i>	<i>Total number of actors in the network: 70</i>	<i>Min=7 Max=96 Mean=37</i>
<i>Question asked: How important is it to coordinate positions and actions with those mentioned below before a decision, negotiation or discussion?</i>		<i>Question asked: How often do you make contact with representatives of the actors mentioned below, regarding matters within your sphere of activities?</i>	

First, it is clear that the central political and state actors, the ministries, the Committee on the Labour Market and the Social Democratic Party, as well as the relevant government agencies, are the most powerful actors dealing with political issues on the labour market. Social Democrats are among the highest ranked in almost every respect (although somewhat less regarding useful information). With the exception of the ministry responsible for labour market issues (Ministry of Industry and Commerce), state actors fail to reach the top of the list only regard to contacts, possibly a reflection that the Swedish labour market is still dominated by bargaining between employers and unions without state intervention. The state has great power but does not have actively to participate in day-to-day work. Second, the main peak organisations representing employers and labour (SAF and LO), and also white-collar workers (TCO), are highly ranked in all regards. They are looked upon as highly influential, possess valuable information, are considered important allies, and are often contacted. Even though the centralised bargaining system has been replaced by branch level bargaining and pattern-setting, peak organisations are still considered more powerful than any branch organisation or union. Third, apart from the very high ranking of peak organisations, the unions and employers representing the service and welfare sector – as well as some actors (eg Metal Workers) who represent the new bargaining system based on coordination at a lower level – are quite highly ranked in some respects. To summarise, if it has ever been otherwise, the labour

market is nowadays clearly in the hands of the politicians and the state; but, it can also be said that the actors associated with the classical Swedish model of peak-organisation dominance are still alive and kicking.

It is not certain, however, that different types of actors have the same relations with all others. The strong position of the state or peak organisation can in fact hide quite different power relations within or between key subgroups.

How are power relations structured?

Relational data give us an opportunity to identify individual relations as well as the subgroups hidden behind them. So, in fact, the conclusions on the Swedish model's inertia and stability that have been reported up to now can conceal a much more complex and even conflicting pattern. In order to find any such pattern, a first step is to compare power relations *within* and *between* institutionalised groups: political parties (here restricted to the Social Democrats), the state, government employers, private employers, labour unions (LO affiliates), employees (TCO affiliates), employees (SACO affiliates) and companies. (Technically, the measure is that of network block density.)

A first conclusion is that the patterns resemble some of the coordinated alternatives presented in Figure 6.1. Institutional borders delimit power within distinct organisational spheres. Most actors look upon others within their own organisation as more powerful than actors representing other organisations, irrespective of the power dimension. Above all, this applies to contacts but it is also valid regarding general influence and resources like information and alliances. Second, there are important exceptions to this rule. All actors generally have more relations, with regard to power, to the Social Democrats and actors belonging to the state than to actors within their own group. Further, companies' relations with each other are most often less dense than their relations with actors in other groups (at the same time as all others rate the power of companies as very low). Third, relations to others are differently distributed across organisations, thereby, for example, dividing union relations from employer relations. For instance, labour unions can obtain important information from the Social Democratic Party (Density = 0.9 on a scale from 0 to 1) but none from companies ($D = 0.06$). By contrast, employers have no use of Social Democratic information ($D = 0.08$), and are the only ones to rely on information from companies ($D = 0.2$).

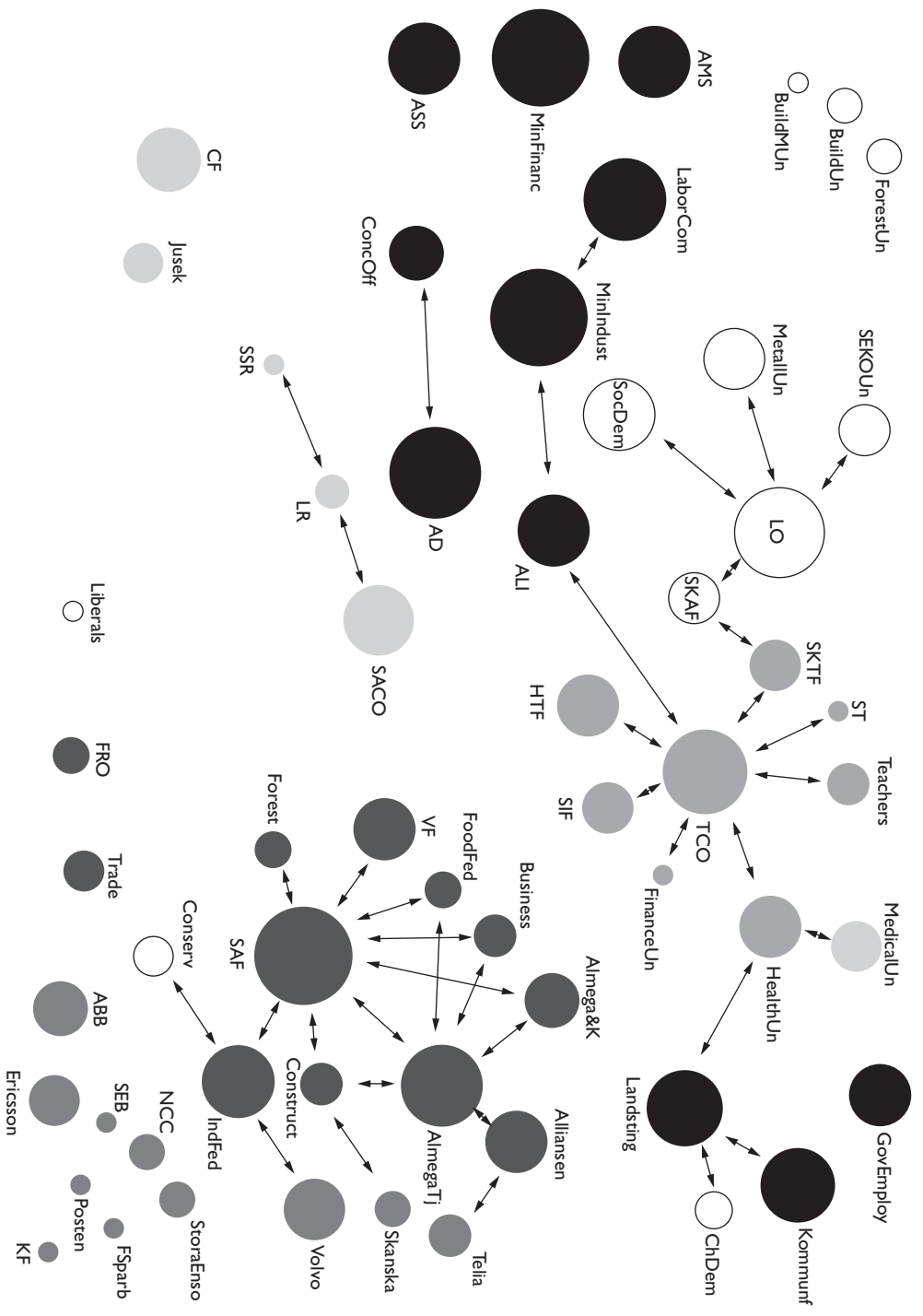
Taken together, it seems to be the case that the structure of power is divided, at the same time as all or nearly all actors rate the power of the state and the Social Democrats as high. This explains the high power positions of these actors in the tables above.

In order to compare the actual structure of power in the industrial relations domain with the ideal types we have to move back to the relations of single

actors to each other. Data must be dichotomised for the purpose of representing the relations graphically; that is, the continuous scale is replaced so that actors can consider others to have power (influence, information, etc.) or not. However, the use of the centre of the scale as a dividing point often produces a very dense web that is hard to interpret. In such a case, the relations between the actors show a resemblance to the ideal type of strong coordination (1A). In order to find the most important actors and coordinating links between them, it is reasonable to raise the standards of how power is measured. The use of the strongest possible demand on data (highly usable information, very important as allies, very strong influence and, in the case of contacts, every week or more) reveals a clearer pattern. The web of power relations is still dense, but divided into different sub-groups, and the links *between* these groups are less common. Together with peak organisations, representatives of the state as well as the Social Democrats play an important role as broker in three out of the four cases (influence, information and alliances). Regarding everyday contacts, the state is excluded. Here, Social Democrats and peak organisations are joined by some of the larger unions and employers' organisations in the broker role.

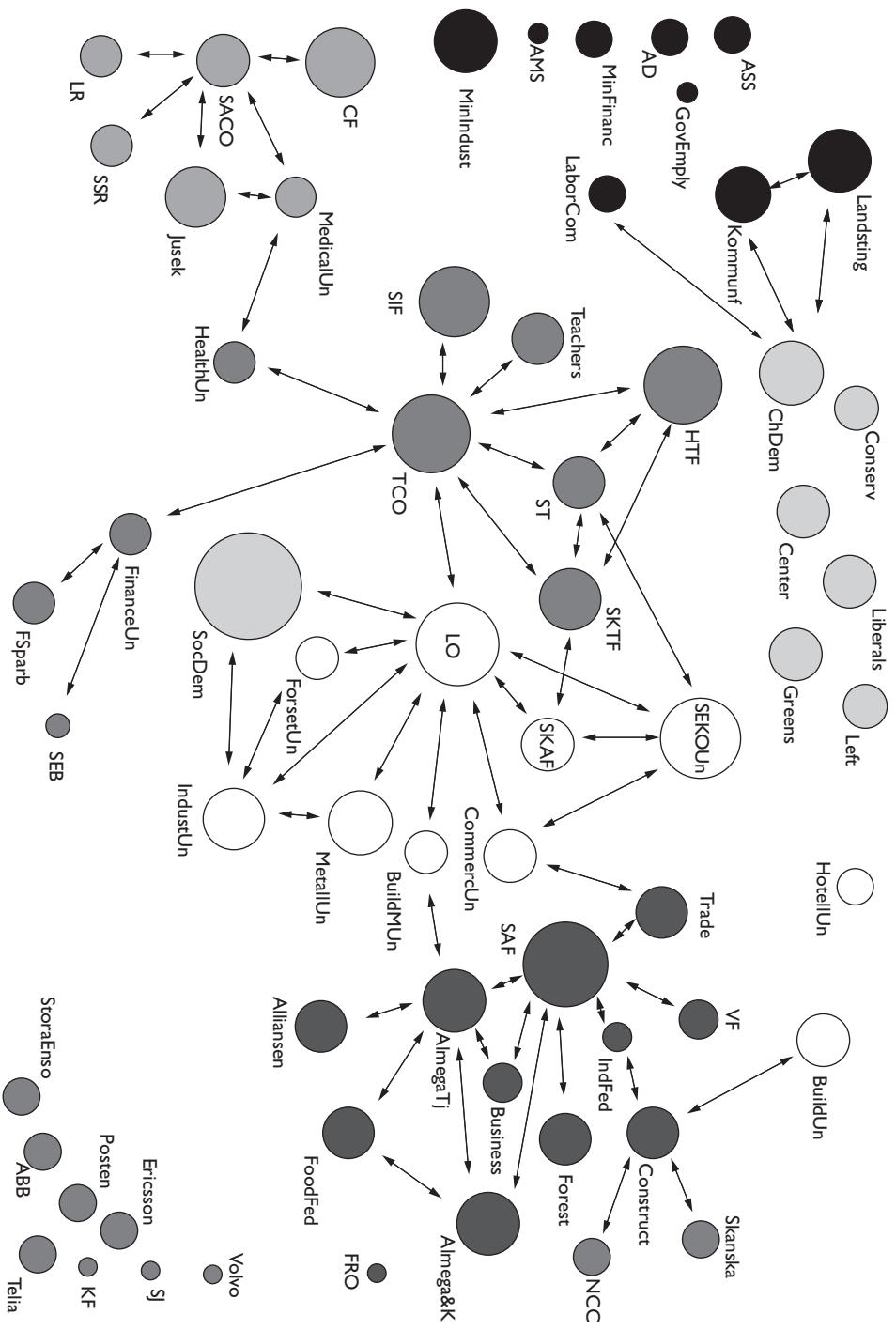
Two kinds of relations are represented below – how information is valued and actual contacts. The individual actor's centrality – power – in relation to all others (corresponding to the tables above) is shown by the sheer size of the circle representing each actor. Since the affiliations to different groups – political parties, state actors (including committees, the cabinet, government agencies and public employers), private employer organisations (including trade and industry organisations), trade unions (LO, TCO, SACO) and companies – are marked in different shades, it is also possible to discern the overall pattern of relations or cleavages between the main parts of the labour market mentioned above (abbreviations in Appendix 6.1). This also makes it easier to find out if there are any coordinating relations or actors – bridges or brokers – between the actors. With the intention of actually showing interpretable graphs, and at the same time finding the *core* of the most important actors, we use reciprocal ties; that is, to be interpreted as a link, there has to be a two-way relation, both from A to B *and* from B to A. Any such relation is illustrated by a two-way arrow.

The graphs tell the same story regarding which actors are the most powerful. However, they also reveal the structures of power measured in two different ways. There are both similarities and differences between the two. Where the resource of information works first and foremost within dense groups with some brokers in between, actual contacting involves several bridges between different groups of actors, even when we ask for reciprocated (two-way) ties and look for at least monthly contacts.



Question asked: How useable do you consider information from those listed below? 1=Not usable at all; 7=Highly usable. Threshold: Only directed links above the value of 5 are represented. The links in the network correspond to reciprocal ties, which are the result of symmetrising (minimum method) the dichotomised network. The actors' indgree are expressed by the sizes of the circles.

Figure 6.2. Relations of mutually valuable information.



Question asked: How often do you make contact with representatives of the actors mentioned below regarding matters within your sphere of activities? 1. Rarely/Never 2. At least once per year 3. At least once per quarter 4. At least once per month 5. Almost every day. Threshold: Only directed links above the value of 3 are represented. The size of each actor represents the value of Indegree, while reciprocal ties imply mutual contacts. (Large actors without a tie are often contacted by others, but do not contact those actors themselves.)

Figure 6.3. Relations of mutual contact.

A general feature of the relations between actors with valuable information is that there is a clear division between employers and unions; another is that these subgroups seem to be quite dense. We appear to be looking at a situation of coordination within groups (Figure 6.1 E). First and foremost, actors seem to consider information within their own group as most usable. Moreover, if we look into the two larger subgroups we can also find important brokers between the different parts of these main groups, eg those that tie employers to companies, and labour unions to employees as well as to the state. The unions covering the public welfare sector (SKAF and SKTF) – linking blue-collar and white-collar unions – offer good examples. Thus, in spite of lower individual power, the particular broker positions of these organisations give them the possibility to work as important coordinators within the main camps.

The relations of mutual contacts are a large and loosely tied web, looking more like that described in Figure 1 C or D (coordination with brokers or bridges). There are a few distinct subgroups around the four peak organisations. Unlike how valuable information is considered, there are important bridges tying all the main subgroups together. The labour unions and employers are connected through mutual contacts between affiliates in commerce and private services. The gap between blue-collar and white-collar workers is bridged not only by links between organisations representing those who work in the public sector, but also by organisations in the private service sector. Further, TCO and SACO are linked through contacts in the health sector. The structure of alliances (not represented here) can be characterised in the same way. The distinct cleavage between opposing labour market interests is bridged by the search, at least on the part of some actors, for alliances. There is possible coordination, stemming from specific organisations' explicit desire for allies within other camps. A good example is the employer organisation for business services that builds alliances with its counterparts within the various types of trade unions (Handels, HTF, SSR), thereby linking the employers to the other main groups of unions.

What conclusions can then be drawn in terms of preconditions for coordination? It is clear that the peak organisations still have pivotal positions within their respective subgroups. Their positions give them the resources to act as coordinators in the industrial relations system. However, focusing on strong demands on links of power reveals an interesting pattern. Distinct cleavages between the relatively dense subgroups consisting of white-collar and blue-collar unions, and employers' organisations and companies, become clear. Where bridges exist, first and foremost regarding contacts and alliances, they are often cross-class links within certain sectors indirectly connected with the most powerful actors. Thus, crucial actors seem to tie distinct subsystems together into a coordinated one. However, the system is kept together not only by the need for resources and the possibility of sanctions. As we will see, trust also plays a crucial role, but this

is attributed to other actors, and the patterns of trusting relations are quite different.

Trust and deliberation

Who are the most trusted actors and most important deliberators?

A significant part of industrial relations in Sweden has been that actors on the labour market have been able to conclude agreements in almost every area of potential conflict (Milner, 1990, Chapter 3; Fulcher, 1991, p. 188-196). The parties involved seem to have considered it worthwhile to negotiate agreements, and everyone has taken for granted that their counterpart would stick to what had been settled. The foundation of this situation seems to have been a high degree of mutual trust between the important actors. The importance of trust is exemplified by the fact that the leader of the Confederation of Employers at the beginning of the 1930s (a key period) was chosen 'for the very purpose of building bridges between his export interests and the worlds of finance and labour' (Swenson, 2002, p. 120). Other centrally positioned persons in the organisation 'wanted someone who was liked and trusted by leaders of the labour movement for better communication across classes' (ibid, p. 97).

Bo Rothstein (2003, p. 269ff) is another who argues that interpersonal trust has been very important in making collective bargaining in Sweden work. Further, he claims that trust between employers and unions was established through continued dialogue within political institutions created by the government. However, many observers suggest that something has happened in this regard, especially in the labour market sector (see Rothstein 2001, p. 209). Since we do not have time-series data we cannot say anything about possible changes, but the tables below show the most trusted actors in the Swedish industrial relation system today. Are government institutions as important as Rothstein argues that they are?

Table 6.6. Which actors are most trusted to have honest intents?		Table 6.7. Which actors are most trusted to keep their words?	
Actors	Indegree 0-414	Actors	Indegree 0-414
Labour Court (AD)	314	Labour Court (AD)	339
The Swedish National Conciliators' Office	295	The Swedish National Conciliators' Office	309
National Board of Occupational Safety and Health (ASS)	281	The Swedish Confederation of Employers (SAF)	299
The National Institute for Working Life (ALI)	275	Ericsson	298
The Committee on the Labour Market	266	Volvo	295
The Swedish National Labour Market Board (AMS)	265	ABB	294
The Federation of Swedish County Councils (Lf)	253	The Association of Swedish Engineering Industries (VF)	291
The Swedish Association of Local Authorities (SK)	253	FöreningsSparbanken (Swebank)	288
The Swedish Confederation of Employers(SAF)	253	The Swedish Association of Graduate Engineers (CF)	284
National Agency for government Employers (AgV)	252	Four different employers' organisations	282
<i>Total number of actors in the network: 70</i>	<i>Min=138 Max=314 Mean=234</i>	<i>Total number of actors in the network: 70</i>	<i>Min=125 Max=339 Mean=261</i>
<i>Question asked: To what extent do you assume that representatives from the list below reveal their motives and facts before discussions or negotiations? 0=not at all, 6=entirely</i>		<i>Question asked: To what extent do you assume representatives from the list below stand by their word after an agreement? 0=not at all, 6=entirely</i>	

It can be concluded that the actors considered trustworthy are not the same as the ones with power. Although there are exceptions (political parties are generally considered to be both powerless and untrustworthy), there is a clear tendency for the most powerful organisations to be comparatively less trusted, while some of the most trusted ones are not considered to have much power. This finding may coincide with the conclusion of Farrell and Knight (2003, p. 445) that the more powerful actors do not have good reasons to behave in a trustworthy fashion under certain circumstances. Certain actors may simply be too powerful to be trusted (Farrell 2004, p. 3). Unfortunately, the question of how asymmetric relations of power affect trust has to be answered elsewhere.

The Labour Court and the Conciliators' Office hold central positions in the relations of trust in the industrial relations domain. Beside these government agencies, actors from Swedish industry (private employers' organisations and companies) and the public employers' organisations dominate the trust systems.⁶

⁶ Other actors emerge as central when we focus on a network of *very high trust*, especially LO and some of its affiliates. The most important reason is that unions have stronger bonds to other actors, ie to some political parties (the Social Democratic Party) and some government agencies. Internal trust between unions is *slightly* denser (density = 0.15) on this level of trust, than within the group of employers' organisations and companies (0.11). The relation

While companies are not assumed to have honest intentions, other actors expect them to keep their word if an agreement is reached. On the other hand, some government agencies do have honest intentions, but are not assumed to keep their word to the same extent.

The reason that employers' organisations and companies enjoy a higher level of trust in Swedish industrial relations is that the relationship between employers and unions is not a reciprocal one (Öberg and Svensson, 2002, p. 483). While unions trust employers, employers and companies are more distrustful of the unions.⁷

The international image of Sweden is one of a country 'taking a controlled and rational approach to labour issues' (Visser 1996, p. 175). In Sweden, bargaining is described as being characterised 'by a basic willingness by both parties to approach problems analytically rather than polemically' (Milner, 2000, p. 92). Although class conflict has been the main characteristic of Swedish industrial relations over the years, it is true that there has also been a significant element of rational discussion. Cooperation over statistics on wages is one important example. Experts from the organisations interviewed by Elvander (1988, p. 270) certify that the effort to reach consensus on basic data has been successful overall, even though disagreements over interpretations have sometimes been apparent. In the words of Swenson and Pontusson (2000, p. 80), the room for wage increases 'was in principle determined by objective criteria that unions and employers ... could jointly agree upon'. The emphasis on expertise in industrial

Table 6.8. Which actors listen to and reflect on others' arguments?

Actors	Indegree
	0-414
The Swedish Labour Court (AD)	264
The Swedish National Conciliators' Office	254
National Board of Occupational Safety and Health (ASS)	231
The National Institute for Working Life (ALI)	231
The Committee on the Labour Market	230
Ministry of Industry and Commerce	227
The Swedish National Labour Market Board (AMS)	223
<hr/>	
<i>Total number of actors in the network</i> 70	<i>Min=119</i>
	<i>Max=264</i>
	<i>Mean=196</i>
<hr/>	
<i>Question asked: To what extent do you assume representatives from the list below listen to, and reflect on, the arguments of others? 0 = not at all, 6 = entirely</i>	

between the blocks on this level of high trust is reciprocally low (nrm indegree = 0.11 and 0.08). This highlights the importance of taking trust into account, not as a matter of black or white, but as a matter of degree. More research is needed before we know what degree of trust makes a difference in industrial relations systems.

⁷ The explanation is not that the subnetwork of industry is denser than the subnetwork of unions, since internal trust among industry actors is the same as between different unions. The non-reciprocal relationships between these groups of actors is evident when we compare average indegree in reduced blockmodel matrices.

relations in Sweden is also evident in the fact that the leadership of the employers' organisation (SAF) has been dominated by people with a legal, rather than managerial, background (Kjellberg 2000, p. 178). Which actors are regarded as the best deliberators today?

Actors within the sector do not consider each other, in general, to be entirely rational deliberators (Öberg and Svensson, 2002). However, the results indicate that experts occupy a strong position within the Swedish industrial relations system. Not surprisingly, the ones that are considered to listen and reflect on the arguments of others are typically expert agencies. Hence, these agencies are, to a greater extent than other actors on the labour market, considered to listen to the arguments of others, and also to have honest intentions in discussions. According to earlier research and our own findings, it is possible to discern experts as the carriers of a tradition of rational argumentation, which functions as a coordinating mechanism in the industrial relations system. Political parties are, again, looked upon with distrust. They are not trusted to have honest intentions, or to keep their word, or to listen to argument.

No matter how trusting relations are measured, the most central actor in such relations is the Labour Court, followed by the Conciliators' Office. Unlike some of the other agencies, these actors are not only considered to have honest intentions and to listen to others' arguments, they are also known to keep their word following an agreement. These findings are in accordance with what we have shown elsewhere, using data based on individuals within the Swedish labour market elite (ibid). The roots of these two agencies go back to the beginning of the 20th century, and have been considered by international observers to be important institutional 'building blocks' that provided 'a framework for cooperation' and laid the foundation for the 'cooperative spirit' of the Swedish model (Visser, 1996, p. 175). For example, the Labour Court – whose judges are nominated by both employers and unions – was an important actor when 'SAF and LO worked together solidaristically' on the problem of setting rates for piecework in Swedish industry (Swenson, 2002, p. 158). The court's history has apparently created a positive 'collective memory' (Rothstein, 2000) that has established it as the most trusted actor in the industrial relations system.

How are trust and deliberation structured?

We have concluded that the Labour Court and the Conciliators' Office are the most central actors. We also know that the public and private employers' organisations enjoy higher levels of trust, due to the fact that they are trusted by the unions but not the other way round. How then are the webs of trust and deliberation structured?

As with relations of power, the web of trust is very complicated and dense if we dichotomise at the mid-point on our scale.⁸ All these structures are most similar to the strongly coordinated ideal type in Figure 1. However, it is reasonable to assume that a high level of trust is necessary to accomplish coordination. Further, the relationship of trust has to be reciprocal in order to survive. In the figures displaying trust relations below, we have incorporated those two conditions.

Although about half of the actors are isolates (ie no trusting relation to anyone) when using these strong conditions, the core actors are connected in distinct patterns. The web of actors that trust each other to 'keep one's word' resemble a system that has *coordinated groups-with-a broker*. One group of LO affiliates, another group comprising a few companies, and a third group consisting of a few employers' organisations are held together in one component by the large broker in the middle, the Labour Court (labelled AD in the figure, which is the Swedish abbreviation for *Arbetsmarknadsdomstolen*).

There is of course a close connection between trust and deliberation, both empirically and theoretically (Braithwaite, 2003). Relations between actors that, it is proposed, take part in deliberation (not illustrated here) do not have any coherent groups; rather, one dominant actor coordinates them. And, as in the case of trust, the dominant actor and/or broker is the Labour Court. The important position of the court is therefore even more evident when we analyse the complex webs of trust and deliberation in their entirety.

We can now present our conclusions on trust in the Swedish industrial relations system. The Labour Court and the Conciliators' Office are the most trusted actors. Unions have much more trust in employers and companies than the other way around. Consequently, employers and companies are more trusted, especially to keep their word after an agreement. The structures of trusting relationships resemble coordination with a dominating actor or, in the case of keeping one's word, coordination by a broker. The Labour Court occupies that position, which is strengthened by the fact that there are no coordinated groups and, hence, no actors that can serve as bridges.

The Labour Court is obviously an organisation that is different by nature from unions and employers' organisations. The central position of the court is very likely due to the recognition of the procedures and activities it stands for, but that may not at all influence the conclusion that the Swedish Labour Court is a very important promoter of trust in the industrial relations system. It is known from studies of trust in other areas that certain bureaucratic arrangements may create a sense of obligation to cooperate and a faith in the trustworthiness of both the bureaucrats and the regulated:

⁸ Density in the network for honest intent is .48, keeping one's word .62, and listening to arguments .31.

‘A competent and relatively honest bureaucracy not only reduces the incentives for corruption and inefficient rent-seeking but also increases the probability of cooperation and compliance, on the one hand, and economic growth on the other. To the extent that citizens and groups recognize that bureaucrats gain reputational benefits from competence and honesty, those regulated will expect bureaucrats to be trustworthy and will act accordingly’ (Levi 2003, p. 87).

Institutions may play an especially important role in the creation of trust when the relation of power is asymmetric. It is even in the interest of a powerful actor to be subject to external institutions. Such (self-imposed) institutional control makes the commitment of cooperation more credible, since it delimits the actor’s own possibility to abuse trust (Farrell, 2004, p. 13; Farrell and Knight, 2003, p. 540). We consider the Labour Court to play that role. This institution seems to bridge trust between different actors in the political economy of Sweden, and in doing so contributes to a system where the uncertainty of other actors’ strategies is reduced.

Conclusion

To sum up, research on *varieties of capitalism* has shown that some countries are distinctly out of line with the classical liberal market model. In these coordinated market economies, a reduction of uncertainty in the strategies of relevant actors, combined with a widespread presumption of credible commitments, constitutes the basis for coordination and helps the actors reach cooperative equilibriums. However, there have so far been few attempts to specify the mechanisms or the detailed structure of such coordination. In this chapter, we have presented some evidence of how it is achieved in Sweden. We argue that power and trust are the main components of coordination. Using network analysis we have also shown how the structure of coordination differs with regard to these two crucial coordinating mechanisms. An important idea within research on varieties of capitalism is the importance of companies, their needs, and the decisions made by capitalists. These actors might therefore be expected to be important parts of the coordinating structure. However, in contrast to this widespread conception, our empirical test shows that these actors do not play any important role of their own in the coordinated industrial relations system.

The most central actors of power are the ministries of finance and industry, some government agencies – especially the Labour Court – and the confederations of unions and employers’ organisations. Hence, the government is very important in enhancing coordination. Even if change to the bargaining system is evident, coordination within the Swedish industrial relations system seems to occur in ‘the shadow of hierarchy’, where the state and peak organisations play crucial roles.

This conclusion is in accordance with our hypothesis and clearly contradicts the commonly held view that there was a radical shift in the Swedish model in the 1990s. The central position of the state is also apparent when we analyse the structure of directed power relations, ie when we also consider relations that are not mutual. State actors, together with the Social Democrats and peak organisations, are considered to be influential, are known to possess valuable information, and are popular as alliance partners. But, actors representing the state are not among the most contacted ones. The everyday contacts linking together the divided labour market are founded upon the power and influence of the Social Democrats, peak organisations, and some of the largest unions and employers' organisations. With this exception, the general pattern falls somewhere between the ideal type of *B* and *D*, *coordination by one dominant actor* and *coordinated groups with a broker*. The situation can be illustrated in the following way. In the figures below a link without an arrow indicates a reciprocal tie.

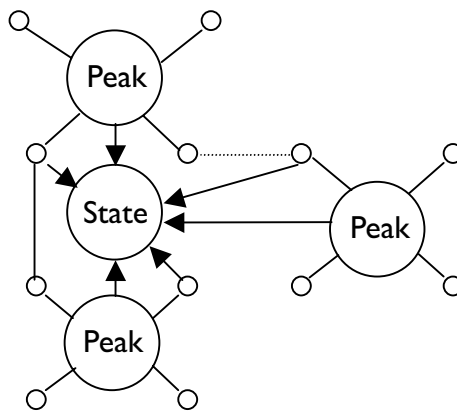


Figure 6.5. The unilateral power structure in the Swedish industrial relations system.

State agencies, often at Ministry of Industry level, possess the necessary resources and can exercise influence over other actors within the industrial relations system. However, the overall pattern becomes different if we solely analyse reciprocal bonds.

The reciprocal relations of usable information and contacts exclude the state, and leave the confederations (peak organisations) of unions and employers as the most central actors. There are some important bridges between the organisations, consisting of organisations within the same – presumably public – sector. Thus, excluding the state, there still exists mutual dependence on, for instance, the information between these organisations that keeps the labour market together. The power structure, only counting mutual relations resembles that in Figure 1C, ie *Coordinated groups with a broker*, but there is also a dominant actor (the peak organisation) within each subgroup.

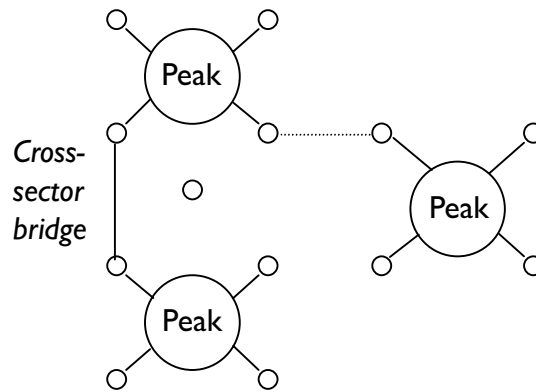


Figure 6.6. The mutual power structure in the Swedish industrial relations system.

As shown in this chapter, the Labour Court holds a central position when it comes to trust in the industrial relations system, however it is measured. The trust structure, too, is strongly coordinated if we dichotomise trust at the mid-point on our scale. However, when we concentrate on actors that have a high level of trust in each other, the pattern is quite clear and resembles a combination those in Figure 6.1B (*Coordinated by one dominating actor*) and Figure 6.1C (*Coordinated groups with a broker*).

Admittedly, this study has some of the flaws associated with extensive survey investigations, and needs to be supplemented more intense studies. Some preliminary conclusions are nonetheless possible to draw. State actors are very important in the industrial relations system in Sweden. The relevant government ministries are most central when it comes to the different measures of power. The Labour Court and the Conciliators' Office are the most trusted actors, and are also known to be the best deliberating actors. However, confederations of employers' organisations and unions are not out of the picture. They are almost as important as the state actors, and even more important within the network of contacts and all networks of reciprocated power relations.

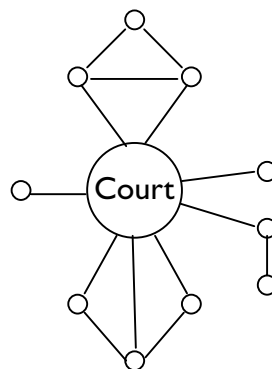


Figure 6.7. The structure of trust in the Swedish industrial relations system.

The structures of power and trust relations are not identical. Not only are the actors different – the ministries and the dominant political party in government, the Social Democrats, being considered powerful but less trusted – but also the configuration of the relationships is different. The structure of power relations involves many actors, with the ministries and other state actors at the core in the non-reciprocal structure, and with the peak organisations as the dominant actors in subgroups of reciprocated power relations. The structure of trust relations is less integrated, but held together by a dominant actor, the tripartite Labour Court.

By using data that allow for social network analysis, we have been able to show that peak organisations are important coordinators within their respective organisational spheres, but there are also other important brokers that occupy powerful positions, because they can bridge information and contacts between the peak organisations. Further, the other coordinating mechanism – trust – is constituted in quite another way. The Labour Court, in particular, acts as a broker between actors in the industrial relations system, bridging trust between actors that mistrust each other. As is proposed in the case of the National Labor Relations Board in an American context, the analysis in this article confirms that a third party, the Swedish Labour Court, plays an important role. Distrust between the main contenders remains, but coordination prevails because they both trust the Labour Court (cf Levi et al., 2000).

Taken together, this indicates that coordination in the Swedish industrial relations system is based on two different mechanisms. There exists a mutual dependence of power between the employers and employees themselves, which enhances coordination between the peak organisations as well as within certain sectors. This is however complemented (and perhaps also compelled) by active state involvement, and supported by state-imposed rules. The negotiations between the government and the peak organisations initiated in the autumn of 2003 are indications of how this system works, and demonstrate the importance of the state. These negotiations have, at the time of writing, reached deadlock, but may in the long run result in a new social pact bringing together the contracting parties, who share a common interest in greater economic growth (Rhodes, 2001). However, if we are correct in our theoretical argument that trust is important in order to reduce the uncertainty of other actors' strategies and to establish credible commitments (a statement we will empirically investigate in forthcoming work), the foundation of coordination is somewhat fragile. Trust across class borders is scarce. Employers trust unions less than unions trust employers. This indicates that if the state is unable to maintain its powerful position and if the Labour Court fails to sustain trust in the system, coordination within the Swedish industrial relations system may collapse.

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Appendix 6.1. Actors, abbreviations and response rates

Political parties

Swedish Social Democratic Party [SocDem] 3

Left Party of Sweden [Left] 1

The Green Party of Sweden [Greens] 3

The Moderate Party [Conserv] 7

The Liberal Party [Liberals] 3

The Swedish Christian Democrats [ChDem] 2

The Centre Party of Sweden [Center] 6

Parliamentary Committees

Parliamentary Committee on Labour Market [LaborCom] 10

The Cabinet

Ministry of Industry and Commerce [MinIndust] 5

Ministry of Finance [MinFinanc] 15

Government Agencies

The Swedish National Labour Market Board [AMS] 14

The National Institute for Working Life [ALI] 5

National Board of Occupational Safety and Health [ASS] 10

The Swedish Labour Court [AD] 2

The Swedish National Conciliators' Office [ConCoff] 4

Public employers' organisations

The Swedish Association of Local Authorities (SK) [Kommunf] 8

The Federation of Swedish County Councils (Lf) [Landsting] 7

National Agency for government Employers (AgV) [GovEmploy] 11

The Swedish Confederation of Employers (SAF)

SAF [SAF] 29

The Association of Swedish Engineering Industries [VF] 4

The Swedish Federation of Trade (Handelsarbetsgivarna) [Trade] 4

Almega: The Alliance [Alliansen] 4

Almega: Swedish Service Employers Association [AlmegaTj] 1

Almega: Industrial and Chemical Association [AlmegalandK] 5

The Swedish Construction Federation (BI) [Construct] 3

Swedish Road Transport Employers Association (Ba) [RoadTrans] 3

The ALMEGA Business Service Associations [Bussiness] 1

Swedish Forest Industries Federation [Forest] 5

Swedish Food Federation [FoodFed] 3

Trade and industry associations

Federation of Swedish Industries (Industriförbundet) [IndFed] 4

The Federation of Private Enterprises (FR) [FRO] 12

The Swedish Trade Union Confederation (LO)

LO [LO] 24

Swedish Metal Workers Union (Metall) [MetallUn] 2

Swedish Building Workers' Union (Byggnads) [BuildUn] 2

Union of Service and Communications Employees' Association (SEKO) [SEKOUN] 4

Swedish Forest and Wood Workers' Union (Skogs- och träfacket) [ForestUn] 4

Swedish Food Workers' Union (Livs) 0

Hotel and Restaurant Workers' Union (HRF) [HotelUn] 3

Industrial Workers' Union (Industrifacket) [IndustUn] 1

Swedish Commercial Employees' Union (Handels) [CommercUn] 4

Swedish Building Maintenance Workers' Union (Fastighets) [BuildMUn] 1

The Municipal Workers' Union [SKAF] 3

The Swedish Confederation of Professional Employees (TCO)

TCO [TCO] 26

Union of Financial Sector Employees (Finansförbundet) [FinanceUn] 2

Union of Commercial Salaried Employees [HTF] 5

Swedish Teachers Union (Läraryrskörbundet) [Teachers] 2

Swedish Union of Clerical and Technical Employees [SIF] 4

Federation of Civil Servants [ST] 6

Swedish Union of Local government Officers [SKTF] 2

Swedish Association of Health Professionals (Vårdförbundet) [HealthUn] 7

The Swedish Confederation of Professional Associations (SACO)

SACO [SACO] 9

Swedish Association of Graduate Engineers [CF] 3

The Federation of Lawyers, Social Scientists and Economists [Jusek] 2

National Union of Teachers in Sweden [LR] 5

Swedish Medical Association (Läkarförbundet) [MedicalUn] 7

The Swedish Union of Social Workers, Personnel and Public Administrators [SSR] 4

Companies

Posten 7

Ericson 4

Volvo 4

Samhall 2

Telia 1

ABB 5

KF 3

SJ 4

Skanska 5

NCC 2

SEB 6

Förenings sparbanken [Fsparb] 3

Sandvik 2

Stora Enso 2

Apoteket 4

Chapter 7.

Organised labour and varieties of capitalism

Sven Oskarsson

Introduction

A decade ago the debate about the supposed detrimental effects of economic globalisation was at the centre of the research agenda of comparative political economists. The so-called conventional wisdom stated that increased economic interdependence and the frantic pace of capital movements across national borders would determine the fate of national political autonomy and economic institutions. However, confronted with both theoretical and empirical criticism, the idea of convergence across the advanced capitalist democracies has lost most, but certainly not all, of its adherents within the social science discipline. The popular debate and the world of politicians have been harder to convince. It is still a common practice among politicians to point to the imperatives of globalisation when justifying less popular decisions. For this reason alone it is worthwhile once again to present some evidence against the idea of converging political economies.

Thus, the starting point of this paper is to prove something that, at least in large parts of the academic world, is well established. Focusing on the fate of organised labour, I show that trends in unionisation, wage inequality and strike activity, if anything, indicate divergence among the advanced capitalist nations.

However, to once more refute simple convergence thinking by confronting it with real world facts is not the main purpose of this paper. I argue that it is not enough merely to conclude that trends in the strength of organised labour vary both cross-nationally and over time in a manner not in accordance with the idea of the convergence of political economies. At the heart of the discussion to follow is, instead, a more intriguing and theoretically grounded question. Given what we know about actual trends, how are we to explain variation in the strength of organised labour across time and space?

The basic theoretical argument of this paper is straightforward and can be stated briefly. Political, social and economic behaviour is highly context specific, and, since contexts vary both through time and across space, neglecting to take contextual variation into consideration in our attempts to grasp the complex of social reality will certainly lead us astray. At first glance, this statement may seem to border on the obvious. However, the implications of taking it seriously have far-reaching consequences for theory construction as well as empirical

testing. As I will show, we should expect the effects of virtually every conceivable factor hypothesised to influence the strength of organised labour to be conditional on certain spatiotemporally varying institutional settings.

The myths – worldwide convergence

Every so often research on political economy becomes fraught with more or less grandiose ideas about convergence among capitalist countries (Kerr et al., 1960; Offe, 1984; Castells, 1997). Capitalist development is conceived as evolutionary and functionalist. The national, and hitherto distinctive, political economies are subject to some form of necessitating pressure – be that an inherent contradiction in the capitalist system (Offe, 1984) or the logic of industrialism (Kerr et al., 1960) – that rewards the most efficient systems and penalises the rest. Under such circumstances, a common way of organising economic and political life will prove to be superior whereas less efficient systems will adapt or perish.

The current wave of socioeconomic change across the industrialised world has led to a forceful revival of the debate about convergence among capitalist societies. This time the focus is on the supposed imperatives of increased economic interdependence or globalisation. Severe competition for investment capital and export opportunities, the story goes, will irrevocably result in converging political and economic institutions (Lash and Urry, 1987; Gill and Law, 1989; Andrews, 1994; Cerny, 1995; Kapstein, 1996; Schmidt, 1995; Castells, 1997).¹ Other forces are hypothesised to amplify this development. Thus, technological change, the seemingly institutionalised high rates of unemployment in large parts of the western world and the contraction of the traditional industrial sector have, together with increased economic interdependence, forced nation states to adopt a market-liberal order characterised by severely reduced ability to conduct redistributive policies (Kurzer, 1991; Mishra, 1993) and deregulated labour markets (Katz, 1993).

The common denominator of this recent surge of convergence theories is that labour, in particular organised labour, in western democracies is under siege. Trade with low-wage countries and technological changes in the work process biased towards skilled workers will lower the demand for a large part of the work force and result in wage cuts or unemployment for the unskilled. The increased exit option of capital and permanently higher unemployment rates will weaken the bargaining position of unions. Further, marginalisation of the blue-collar worker at the Fordist assembly line and the concomitant rise of the service sector have tended to erode the internal cohesion of labour market organisations and deprive unions of their natural powerbase (Lash and Urry, 1987; Katz, 1993;

¹ Similar scenarios are conjured up in popular novels; see, eg, Reich (1992) and Martin and Schumann (1997), some of which Krugman (1996) takes on in his thought-provoking book *Pop Internationalism*.

Traxler, 1996; Huber and Stephens, 1998; Teague and Grahl, 1998; Regini, 2000). All in all, whether these prospects are hailed or detested, the future for organised labour looks gloomy. Globalisation, technological change, unemployment and de-industrialisation entail radical changes in the workings of the labour market and unions.

Persuasive as this may sound, however, the story is dubious and convergence theories have not escaped criticism. First of all, there is no reason to leave these statements as pure speculations; they can easily be checked against data. For the convergence hypothesis to find support, union strength across the western world should have been deteriorating over the last decades. Further, the weakening of organised labour should have been more pronounced in countries where unions were well equipped to start with. Anyone with the faintest knowledge about the post-war development of industrial relations systems in advanced capitalist democracies knows that this is plainly untrue (Golden et al., 1997a; 1999; Ferner and Hyman, 1998). However, in spite of massive evidence against convergence among advanced capitalist economies, both social scientists and, in particular, political practitioners repeatedly point to the sweeping force of economic globalisation and its supposed effects. Therefore, there is reason to, once again, show the obvious – that the hypothesised influence on the strength of organised labour of recent socioeconomic changes is just not borne out by the facts.

The facts – continuing divergence

There are, certainly, many ways of understanding the strength of organised labour. In this chapter, I will use three commonly applied measures of union strength – the union density rate, the level of wage inequality, and the level of strike activity – to capture three different dimensions of union strength.

First, the most intuitive and widely used measure of the strength of organised labour is the simple ratio of union members to the total of wage and salary earners, ie the union density level. The possibility for the union to fulfil its most basic aim, to function as a bargaining cartel, is dependent on the proportion of unionised workers. The higher the union density, the more control the union will have over the supply side of the labour market (Freeman, 1989; Rothstein, 1989; Visser, 1991; Traxler et al., 2001).

Second, the main purpose of organising workers is, in the end, to influence the price of labour as a commodity. We will focus here not so much on the level as on the distribution of wages. The degree to which unions manage to compress the wage structure can be seen as an indirect measure of their strength (Iversen, 1999). The level of wage inequality generated by a country's labour market is fundamentally important for poverty and economic incentives facing workers and may also influence the solidarity that individuals feel towards one another. In this perspective, the unions' striving for more egalitarian wages becomes vital (Blau

and Kahn, 1996; Iversen, 1999; Wallerstein, 1999; Moene and Wallerstein, 2001).

Yet another aspect of the bargaining process is whether an outcome is reached with or without conflict. Industrial conflict is a dramatic expression of labour-capital relations in general and working-class militancy in particular. As such, the strike as an instrument of labour's economic action poses a direct challenge to the authority of employers and capital (Hibbs, 1976; Korpi and Shalev, 1979). However, when interpreting levels and trends in strike activity one has to keep in mind that labour quiescence can indicate two very different situations for organised labour. The reason for a union organisation to refrain from using the strike weapon can be either weakness – possibly as a consequence of a more hostile socioeconomic climate – or the fact that it has far more effective channels to reach its aims.

Therefore, to confirm the convergence thesis we should observe decreasing union density rates, especially in countries heavily organised to start with and increasing levels of wage inequality. Regarding trends in strike activity, we have to be more careful in our judgements, since widespread labour quiescence as well as rising levels of labour market disputes can – depending on which country we focus on – be interpreted as a sign of union weakness. With this in mind we turn to the facts.

Table 7.1 shows the development of union density rates in 18 advanced capitalist democracies from the mid 1970s to the late 1990s and helps us reveal some distinct features of union growth across time and space, each of which contradicts the simple predictions of the convergence thesis.

First, few other basic features of the political economies of western democracies differ as much as the strength of organised labour, measured as the union density rate. Today the levels of unionisation cover a wide spectrum from a high of almost 90 percent in the Scandinavian countries to around ten percent in France and the US. Further, inter-country differences have remained over time, and indeed widened. Starting from the mid-1970s, union density rates have followed a distinct pattern of divergence. The most common trajectory is a falling density rate, albeit at a more rapid speed in countries where unions started from a comparatively low level of unionisation. But, in a few cases, notably the Nordic countries and Belgium, the union movements have actually gained more members and the union density level has risen. The gap between the most and the least thoroughly organised labour forces has in the last 50 years grown from 30 percentage points in the early 1950s to the current 80 percentage points (between Sweden and France). This tendency towards divergence is evident when looking at the relationship between the levels and time trends in union density. The correlation between the mean unionisation levels during the 1975-1979 period and the change over time (columns 2 and 7) is 0.51 (significant at the 0.05 level) and tells us something that is obvious when glancing at Table 7.1. Countries with low

levels of union density have become less organised over time whereas the high-scoring nations have fared better in this respect. This is exactly the opposite from what is hypothesised by the convergence theorists.

This pattern of divergence is clearly discernible also in Table 7.2, where the trajectories of wage inequality rates in 17 countries between 1975 and 1998 are presented. The ratio of earnings at the median to earnings in the tenth percentile (the '50-10 ratio') is used here to capture the degree of inequality in the wage distribution.

Concentrating on the levels (columns 2 through 6) and the trends (the last column) jointly, the countries can be broken down into three broad groups. The first, mostly Anglo-Saxon group, consists of Canada, the US, the UK, New Zealand and Austria. These countries are characterised by high as well as rising levels of earnings inequality throughout the time period covered. Together with Japan and Australia, the central European nations – Italy, France, Switzerland, Germany and the Netherlands – constitute a middle group. Here, we find modest levels of inequality that are either stable or decreasing over time. At the lower end of the table, we find a third cluster of countries consisting of the Nordic countries accompanied by Belgium. They stand out as the capitalist democracies with the most egalitarian distributions of wages. Just as was the case in the middle group the time trends of these countries are characterised by either stability or decrease.

From this brief description, it is obvious that there is a clear relationship between the levels and time trends in earnings inequality. However, this relationship is, once again, precisely the opposite of the one predicted by the convergence theorists. Countries with high levels of inequality have become more inegalitarian, whereas wage distributions in the low-scoring nations seem to have become more compressed over time. That is, despite the harsher socioeconomic climate, unions' ability to compress the wage structure has not collapsed in the more egalitarian countries. To the contrary, the pattern is one of divergence.

Table 7.3 presents data on strike frequency for 18 countries between 1975 and 1998. The impression when looking at these figures is one of increasing labour quiescence. Comparing the first (1975-1979) and the last (1995-1998) time-period, we can see that both the overall mean and the cross-national variation in strike volume have decreased considerably. In contrast to the trajectories of the union density rates and the wage inequality levels, the decrease in strike activity has been greatest in the traditionally more strike-prone countries. The correlation between the mean level of strike volume during the 1975-1979 period and the change over time is almost perfect (-0.94) and significant at the 0.001 level.

On the face of it, this development seems to render strong support for convergence theory. Economic globalisation, technological change, high rates of unemployment and de-industrialisation seem to have severely obstructed working-

Table 7.1. Union density rates in 18 advanced capitalist democracies, 1975-1998.

Country	1975-1979	1980-1984	1985-1989	1990-1994	1995-1998	Yearly Change
Australia	49.1	49.4	48.0	43.5	34.9	-0.70 (1975-1996)
Austria	51.0	50.2	47.7	42.4	38.3	-0.66 (1975-1996)
Belgium	55.0	56.4	55.6	57.6	59.8	+0.32 (1975-1995)
Canada	36.9	37.4	36.5	37.0	36.0	-0.00 (1975-1996)
Denmark	72.7	77.5	76.2	76.3	77.3	+0.35 (1975-1997)
Finland	67.5	70.0	71.0	76.7	78.0	+0.60 (1975-1997)
France	19.7	15.4	10.8	9.0	8.6	-0.62 (1975-1995)
Germany	33.6	32.5	30.6	29.6	25.2	-0.40 (1975-1997)
Great Britain	47.9	43.8	38.6	33.3	29.6	-0.85 (1975-1996)
Ireland	50.3	48.6	41.7	40.0	39.7	-0.50 (1975-1995)
Italy	44.9	41.4	34.6	33.6	31.6	-0.60 (1975-1997)
Japan	33.1	30.3	27.5	24.7	23.2	-0.52 (1975-1998)
Netherlands	34.8	28.4	22.7	22.6	22.6	-0.61 (1975-1997)
New Zealand	56.7	58.0	53.7	24.2	24.3	-1.43 (1975-1998)
Norway	51.3	54.0	53.3	52.5	52.2	+0.05 (1975-1996)
Sweden	75.7	79.5	83.1	85.6	86.8	+0.60 (1975-1997)
Switzerland	32.4	29.5	26.5	23.7	22.5	-0.46 (1975-1997)
United States	23.5	20.4	16.6	15.4	13.8	-0.50 (1975-1998)
Mean	46.5	45.7	43.1	41.2	41.4	-0.33
Standard deviation	15.5	18.0	19.7	21.0	21.0	0.54

Notes: The figures represent net union density rates, ie union members, excluding the unemployed, self-employed, and pensioners, as a fraction of wage and salary earners. The change column presents the average year-to-year change in union density from earliest to latest available observation in each country time series.

Sources: Ebbinghaus and Visser (2000), complemented by OECD, *Statistical Compendium*.

Table 7.2. Wage inequality (50-10 ratio) in 17 advanced capitalist democracies, 1975-1998.

Country	1975-1979	1980-1984	1985-1989	1990-1994	1995-1998	Yearly Change
Australia	1.61	1.68	1.67	1.65	1.62	-0.000 (1976-1998)
Austria	—	—	1.94	1.99	—	+0.010 (1980-1994)
Belgium	—	—	1.45	1.44	1.43	-0.003 (1985-1995)
Canada	—	2.24	2.41	2.29	—	+0.002 (1981-1994)
Denmark	—	1.41	1.40	1.37	—	-0.005 (1980-1990)
Finland	1.57	1.49	1.47	1.42	1.41	-0.009 (1977-1996)
France	1.70	1.64	1.62	1.63	1.59	-0.006 (1975-1996)
Germany	—	1.76	1.64	1.60	1.59	-0.015 (1984-1995)
Great Britain	1.75	1.76	1.81	1.82	1.83	+0.001 (1975-1998)
Italy	1.96	1.74	1.59	1.66	—	-0.015 (1979-1993)
Japan	1.70	1.72	1.71	1.66	1.62	-0.006 (1975-1997)
Netherlands	1.59	1.55	1.55	1.56	1.64	+0.003 (1977-1995)
New Zealand	—	1.70	1.72	1.75	1.79	+0.007 (1984-1997)
Norway	—	1.39	1.45	1.33	—	-0.006 (1980-1993)
Sweden	1.36	1.31	1.33	1.34	1.39	+0.000 (1975-1996)
Switzerland	—	1.41	1.40	1.37	—	-0.005 (1980-1990)
United States	1.93	1.96	2.03	2.06	2.10	+0.007 (1975-1998)
Mean	1.70	1.65	1.64	1.67	1.67	-0.003
Standard deviation		0.15	0.21	0.24	0.26	0.22

Notes: The change column presents the average year-to-year change in wage inequality from earliest to latest available observation in each country time series.

Sources: OECD (1996), complemented by data from Jonas Pontusson.

Table 7.3. Strike frequency per 1,000 Workers in 17 advanced capitalist democracies, 1975-1998.

Country	1975-1979	1980-1984	1985-1989	1990-1994	1995-1998	Yearly Change
Australia	0.427	0.415	0.263	0.128	0.074	-0.018 (1975-1998)
Austria	0.003	0.002	0.002	0.002	0.000	-0.000 (1979-1998)
Belgium	0.075	0.035	0.023	0.013	0.049	-0.001 (1975-1998)
Canada	0.116	0.086	0.065	0.040	0.029	-0.004 (1975-1998)
Denmark	0.111	0.078	0.136	0.092	0.376	+0.014 (1975-1998)
Finland	1.031	0.891	0.479	0.125	0.054	-0.050 (1975-1998)
France	0.198	0.141	0.088	0.079	0.027	-0.009 (1975-1998)
Great Britain	0.100	0.061	0.040	0.014	0.009	-0.005 (1975-1998)
Ireland	0.189	0.169	0.097	0.048	0.030	-0.008 (1975-1998)
Italy	0.188	0.125	0.090	0.061	0.060	-0.007 (1975-1998)
Japan	0.051	0.010	0.011	0.005	0.003	-0.002 (1975-1998)
Netherlands	0.007	0.003	0.008	0.004	0.003	-0.000 (1975-1998)
New Zealand	0.472	0.263	0.156	0.054	0.038	-0.022 (1975-1998)
Norway	0.012	0.011	0.007	0.007	0.009	-0.000 (1975-1998)
Sweden	0.026	0.032	0.029	0.011	0.005	-0.001 (1975-1998)
Switzerland	0.004	0.001	0.001	0.001	0.001	-0.000 (1975-1998)
United States	0.030	0.001	0.001	0.000	0.000	-0.002 (1975-1998)
Mean	0.188	0.137	0.088	0.040	0.048	-0.007
Standard deviation	0.275	0.223	0.130	0.046	0.093	0.013

Notes: The change column presents the average year-to-year change in strike frequency from the first to the last period in each country time series.

Sources: International Labour Office, *Yearbook of Labour Statistics* (various years).

class militancy, and the only way labour nowadays can ensure employer co-operation is by good behaviour.

However, as noted previously, one should not rush to this conclusion too quickly. Keeping in mind that labour quiescence can indicate strong as well as weak unions, we can actually identify very much the same pattern in Table 7.3 as in tables 7.1 and 7.2. The most radical changes in the fortunes of organised labour, in this case decreases in strike activity, are once again found in the Anglo-Saxon countries.² In the Nordic and continental European economies, however, strikes have never been a very good predictor of labour strength, since institutionalised bargaining systems have made strikes less tempting (Streeck, 1993; Western, 1997; Thelen, 2001).³ The strikes that do occur in these countries tend to be sporadic but quite voluminous, indicating that union confederations – sometimes, and irrespective of the socioeconomic climate – have to embark on, in the short run costly, industrial action in order to stop their chief weapon and ultimate manifestation of strength from growing rusty and ineffective in the long run (Paldam and Pedersen, 1982).

Interpreted in this way, the strike data – together with the different trajectories of union density rates and wage inequality levels – not only contradict the convergence hypothesis but also lend support to the opposite scenario, namely that the strengths of organised labour across western countries have clearly diverged over the last few decades. In countries where labour strength was firmly rooted in the mid-1970s, union density has risen or been stable, wages have become more compressed, and strike activity has been unaffected by the socioeconomic climate. By contrast, the fates of labour in countries where union strength was relatively fragile three decades ago follow the predictions of recent convergence theorists; unionisation rates have plunged, wages have become more unequal, and strikes are now rare curiosities.

How to explain the divergent developments – a theoretical framework

If we are solely interested in refuting simple convergence hypotheses, the figures presented in the tables above are convincing enough. However, the results are

² The exception to this pattern is the US where strikes seem to have been rare events throughout the time period. However, this exceptionality is a methodological artefact. From 1977 strike statistics for the United States are restricted to labour disputes involving at least 1,000 workers. This, of course, implies a significant underestimation of the strike frequency level. Looking instead at the strike volume – number of workdays lost per worker – a measure less sensitive to the restriction in strike size, the trend in the US parallels the decrease in strike activity in countries such as New Zealand, Canada and Australia.

³ Once again there is an obvious exception, namely Finland. Above all, the very high levels of strike frequency in the 1970s and 1980s in Finland are signs of organisational weakness. First, the Finnish trade union movement was stricken by political rivalry, leading to bargaining demands that could not be accommodated within the framework agreed in centralised contracts. Second, significant inter-union and inter-confederation competition tended to increase the unions' strike proneness.

question-begging. How do we explain the divergent fates of organised labour over the last decades? Or, to put it in more general terms, how do we account for the fact that supposedly similar factors – increased economic globalisation, rapid technological change, higher unemployment and de-industrialisation – have had different implications for labour in different countries?

This is the question to which I devote the rest of this chapter. In brief, I argue that certain configurations of the institutional framework within which unions, employers and workers interact can be conceived of as a powerbase for labour, enabling unions better to further their goals. However, institutional settings such as the level of wage coordination in the bargaining system, the local capacity of the union organisation and the organisation of the unemployment benefit system are more than power resources. These institutional constraints will intrinsically alter the causal logic of the labour market and can thereby explain the diverging impacts – on the unionisation process and bargaining outcomes – of common explanatory factors.

The importance of institutional constraints

In order better to understand the basic mistake in convergence theories, and also the vital importance of institutional constraints, when trying to understand labour market outcomes, we have to be very clear about what a market actually is. The textbook type of market is a self-regulating mechanism, where the supply of goods at a particular price will equal the demand at that price. That is, apart from rules and policies that help to ensure its self-regulation, such as contract laws, the ideal market is unfettered by institutional constraints. Under these conditions, the predictions of convergence theorists seem highly plausible. Whatever strengths adhere to labour are derived from market conditions, and as these worsen unions will weaken. Consequently, as increased economic globalisation, rapid technological change, higher unemployment and de-industrialisation have intensified competition among workers, the strength of organised labour may be expected to have decreased all over the western world.

However, this type of *labour* market has not prevailed always and in all places. To the contrary, as a rule labour markets are constrained by institutional arrangements that, to a greater or lesser extent, will counteract the self-regulating process of the ideal market. The reason for this is often forgotten. The crux of the matter is that labour is not just *any* commodity (Offe and Wiesenthal, 1980). It cannot be separated from its owner, ie the worker, and it does not come into being due to any expectation of saleability. Thus, the worker is more or less forced to enter into a wage contract. If labour was a pure commodity one should not hesitate to prevent that commodity from deciding where it should be offered for sale, to what purpose it should be used, at what price it should be allowed to change hands, and in what manner it should be consumed or destroyed.

Certainly, there have been and still are proponents of treating labour like any other commodity. However, the social consequences of such a system would, as is clear from Polanyi's (1944) vivid description of early 19th century Britain, be disastrous. Accordingly, to at least partly insulate labour from the whims of the market, real world labour markets are constrained by social legislation, unemployment insurance systems, work regulation and collective bargaining institutions.

Thus, so far we have argued that – given a pure textbook-like labour market – the strength of organised labour would be expected to fluctuate in response to market forces. Further, since institutional constraints in real world labour markets distort the market principle, we have to take these arrangements into account when explaining labour market outcomes (such as unionisation, wage distribution and strike activity). In principle, this suggests two sorts of institutional effects. First, we should expect a direct influence on the strength of organised labour, since certain institutional configurations will function as a power resource for labour. Second, and more importantly, by distorting the market principle we should expect common explanatory factors to work out differently under different institutional conditions. That is, the fundamental effect of institutional constraints is to alter the causal logic of the labour market (Schumpeter, 1954; Western, 1997; Iversen and Pontusson, 2000).⁴

However, to explain the divergent fates of organised labour across the western world we have to be more precise than this. First, we must pinpoint which institutional arrangements have what effects. Second, we should take a step back and counter a more subtle argument of proponents of the convergence thesis. Might it not be that the very institutional framework that hitherto has insulated organised labour from market fluctuations in some countries will break under the pressure of recent socioeconomic changes and pave the way to a new market-conforming institutional order? If this is the case, we should indeed expect the strength of organised labour to converge in the long run, albeit at a slower pace than has commonly been assumed. In the sections to follow I will confront these two problems with reference to the growing literature on what has been referred to as 'varieties of capitalism'.

The path dependency of institutions – the 'varieties of capitalism' approach

From research into what has become known as 'varieties of capitalism' (VOC) we have learned that advanced capitalist economies form distinctive clusters, distinguished by interconnected institutional arrangements (De Jong, 1995; Gourevitch, 1996; Rhodes and Apeldoorn, 1997; Hall, 1999; Soskice, 1999; Hall

⁴ It should be noted here that this logic transcends the debate about convergence or divergence in the wake of economic globalisation, since the influence of *any* factor that affects the market position of labour is expected to be contingent on the institutional framework of the labour market.

and Soskice, 2001). Emphasised in the literature as the most important institutions contributing to this framework are the corporate governance system, the industrial relations system, the inter-company system, the vocational training and education system, and the social welfare system. At the centre of the approach lie the multiple interrelationships between the agents of a capitalist system – companies, customers, owners of capital, employees, unions, employer organisations, and the state. The framework of incentives and constraints, given by a set of institutions within which the actors are embedded, will – to a large part – determine the actions and strategies of these actors and the relationships between them.

Following Soskice (1999), we can summarise the relevant institutional settings as two distinct production regimes or types of capitalism.⁵ First, we have the social or coordinated market economy, which tends to encourage the development of long-term cooperative relations among the actors of the capitalist economy through corporate governance systems that allow long-term financing of companies, cooperative industrial relations systems within companies and coordinated bargaining across companies, education and training systems that emphasise the in-depth initial vocational training of younger workers, inter-company systems that enable cooperation concerning technology and standard setting among companies, and comprehensive, publicly financed social welfare systems. These institutions will promote a triad of high-wage, high-skill and high-quality production typical of the export industries of the Nordic or the continental European countries.

The social or coordinated market economies can be contrasted with liberal or uncoordinated market economies that are first and foremost associated with the Anglo-Saxon countries, which are characterised by market deregulation and shorter-term and more competitive relations among actors. These relationships are promoted by corporate governance systems that emphasise short-term and high-risk financing of companies, deregulated industrial relations that facilitate unilateral management control, education and training systems focusing on general education, inter-company systems that encourage strong competition between companies, and small-scale and commodifying welfare states. This mix of institutional features tends to give an advantage on product markets where flexibility is highly valued (such as international services).

More important than such simple descriptive categorisations of national economies are the hypothesized effects of institutional frameworks. The central argument of the VOC approach is that existing production regimes or types of capitalistic orders strongly condition the strategies of actors in any capitalistic

⁵ This is, of course, an analytical simplification. Other authors have instead distinguished three or more different types of production regimes (De Jong, 1995; Moerland, 1995; Rhodes, 1996; 1998; Rhodes and Apeldoorn, 1997; Hall and Soskice, 2001).

system (North, 1990; Iversen, 1999; Kitschelt et al., 1999; Iversen and Pontusson, 2000; Hall and Soskice, 2001).

This is, of course, a very general idea, and needs to be more accurately defined in order to be useful. The statement can be decomposed into two causal claims, each of which is highly relevant to solving the two problems pointed to at the end of the previous section. The first claim concerns the influence of given institutional constraints, and corresponds to the need for us to pinpoint which institutional arrangements have what effects on unionisation, wage inequality and strikes. The second claim is about the path dependent dynamics of institutional change, and provides us with an argument against possible convergence of the strengths of organised labour as a consequence of withering overall institutional frameworks. We shall briefly outline both arguments, starting with the second.

The argument about path dependent institutional change rests on an assumption about institutional complementarities (Soskice, 1999; Hall and Soskice, 2001). Two institutions can be said to be complementary if the presence or efficiency of the one (eg the corporate governance system) increases returns from the other (eg the industrial relations system). This suggests that nations with a particular set of institutions in one sphere of the economy tend to develop complementary institutions in other spheres. Thus, institutional complementarities can explain the clustering of countries along the dimensions that distinguish coordinated from liberal market economies.

Further, institutional complementarities generate disincentives to radical change. In essence, this argument is based on increasing returns as it focuses on the costs of switching from one institutional order to another (North, 1990; Pierson, 2000). Actors in the politico-economic system may attempt to preserve arrangements in one sphere of the economy in order to protect valuable complementary institutions in other spheres. For instance, drawing conclusions about the breakdowns of previously centralised industrial relations systems (Katz, 1993; Golden and Wallerstein, 1997a), first and foremost in Sweden, seems to be premature. On closer inspection, the dynamics only reveal incremental changes, as a consequence of renegotiations of traditional institutional arrangements in the face of heightened economic competition (Golden and Wallerstein, 2000; Thelen, 2001).

The second causal claim deriving from the VOC approach is that the effects of common explanatory factors will be conditional on the nation specific institutional arrangements that constitute different production regimes (Kitschelt et al., 1999; Hall and Soskice, 2001). That is, institutional constraints will alter the causal logic of the actors in such a way that pressures for change, be they from economic globalisation, technological change, de-industrialisation or increased unemployment, will be perceived differently by actors in coordinated and in liberal market economies. More precisely, the VOC approach claims that the institutional constraints in a coordinated market economy will fix the power

relationship between labour and capital, and – to a greater or lesser extent – insulate the actors from destabilising market forces (Pontusson and Rueda, 2000).

Empirical results

Before concluding, we will embark on an empirical detour and test some of the hypotheses generated by the VOC approach. Reinterpreting the results presented in tables 7.1 through 7.3 in light of the distinction between liberal and coordinated market economies enables a first rough check on the validity of these claims. Among the 18 countries for which trends in unionisation, wage inequality and strike frequency were described in the previous section, six can be classified as liberal market economies (Australia, Canada, Ireland, New Zealand, the UK, and the US) and the other twelve as coordinated market economies (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, and Switzerland), see Soskice (1999).⁶ In Table 7.4 the over-time changes in unionisation rates, wage inequality and strike frequency are presented separately for countries belonging to the two different production regimes.

At first glance, the distinction between liberal and coordinated market economies seems to be important when trying to explain the divergent fates of organised labour. Comparing the average trends between the two groups we can see that the changes are much larger in the cluster of liberal countries than among the coordinated nations.⁷ In the group of Anglo-Saxon countries unionisation rates have plunged, wages have become more inegalitarian, and strike waves are now rare events. This pattern fits neatly into the predictions of the convergence theorists. By contrast, looking at the group of coordinated market economies, the main impression is that of stability or, in the case of wage inequality, an unexpected change towards a more egalitarian wage structure.

⁶ France and Italy are sometimes, together with Greece, Portugal and Spain, characterised as a third cluster of countries – a Mediterranean style of market economy – distinguished by a large agrarian sector and a history of extensive state intervention (Rhodes, 1998; Pontusson and Rueda, 2000; Hall and Soskice, 2001). However, on most dimensions, France and Italy bear closer resemblance to the coordinated than to the liberal countries. In order to keep the presentation as simple as possible I have, therefore, retained these two countries in the group of coordinated market economies.

⁷ The three differences in average change between the coordinated and uncoordinated market economies are all significant at the 0.10 level or better.

Table 7.4. Trends in union density, wage inequality and strike frequency in liberal and coordinated market economies.

Country	Union density	Wage inequality	Strike frequency
<i>Liberal market economies (LMEs)</i>			
Australia	-0.70	-0.000	-0.018
Canada	-0.00	+0.002	-0.004
Ireland	-0.50	–	-0.008
New Zealand	-1.43	-0.007	-0.022
Great Britain	+0.85	+0.001	+0.005
United States	-0.50	-0.007	-0.002
Mean	-0.66	-0.003	-0.010
Standard deviation	0.47	0.003	0.008
<i>Coordinated market economies (CMEs)</i>			
Austria	-0.66	+0.010	-0.000
Belgium	+0.32	-0.003	-0.001
Denmark	+0.35	-0.005	+0.014
Finland	+0.60	-0.009	-0.050
France	-0.62	-0.006	-0.009
Germany	-0.40	-0.015	–
Italy	-0.60	-0.015	-0.007
Japan	-0.52	-0.006	-0.002
The Netherlands	-0.61	+0.003	-0.000
Norway	+0.05	-0.006	-0.000
Sweden	+0.60	+0.000	-0.001
Switzerland	-0.46	-0.003	-0.000
Mean	-0.16	-0.005	-0.005
Standard deviation	0.51	0.007	0.016

Notes: Trend in union density is the average year-to-year change in density from earliest to latest available observation in each country time series (Table 7.1, column 7). Trend in wage inequality is the average year-to-year change in wage inequality from earliest to latest available observation in each country time series (Table 7.2, column 7). Trend in strike frequency presents the average year-to-year change in frequency from first (1975-1979) to last (1995-1998) period in each country time series (Table 7.3, column 7).

However, capturing the divergent trends in unionisation, wage inequality and strike activity across these 18 capitalist democracies by distinguishing between these two broad production regimes both obscures and reveals. First, the discussion so far has concerned average trends. As is evident from Table 7.4, the within-group variations in changes over time are still significant, especially among the coordinated market economies. Clearly, something is missing. A coherent explanation of divergence should be able to account for within-group variance.

Second, as of yet the analysis above is purely descriptive. To be able to support any causal claims, we have to specify a number of exogenous factors hypothesised to affect unionisation rates, wage inequalities, and strike frequencies.

To overcome these problems, values for the following equations will be estimated:

$$Union_{it} = \beta_{0i} + \beta_1 Union_{it-1} + \beta_2 Glob_{it} + \beta_3 Unemp_{it} + \beta_4 Partisan_{it} + \varepsilon_{it}$$

$$Wage_{it} = \beta_{0i} + \beta_1 Wage_{it-1} + \beta_2 Glob_{it} + \beta_3 Unemp_{it} + \beta_4 Partisan_{it} + \beta_5 Union_{it} + \varepsilon_{it}$$

$$Strikes_{it} = \beta_{0i} + \beta_1 Strikes_{it-1} + \beta_2 Glob_{it} + \beta_3 Unemp_{it} + \beta_4 Partisan_{it} + \beta_5 Union_{it} + \varepsilon_{it}$$

where the subscripts t and i refer to the particular year and country, β_1 to β_5 to the slopes of the explanatory variables, and β_{0i} to individual country intercepts; ε_{it} is an independent random error term.

We estimate the three regression equations separately for the samples of liberal and coordinated market economies. In this way, we are able directly to test the main prediction of the VOC approach. Do common explanatory factors have divergent effects in different institutional settings?

In focus here is the relationship between globalisation and union strength. If the VOC approach is right, deepened economic integration over the last decades should have worked to the detriment of organised labour in the liberal market economies, while globalisation should be unrelated to union strength in the coordinated economies. Thus, given a liberal market economy, we expect the globalisation effect to be negative in the union density and strike equations but positive in the wage equality equation.⁸

However, it is not only the impact of globalisation that should differ between the two production regimes. The effects of essentially every factor hypothesised to affect labour strength should be expected to be contingent on type of capitalistic economy. In this analysis we will include controls for the factors most often highlighted in earlier research on union density, wage inequality and strike frequency (Western 1997; Gottschalk and Schmeeding 1997; Franzosi, 1989).⁹ These are the unemployment level, government partisanship, and, in the wage inequality and strike equations, the union density rate.

⁸ Regarding wage inequality, this hypothesis has already been tested by Pontusson and Rueda (2000). They find that common explanatory factors have different effects in social and liberal market economies. However, they cannot find any positive evidence for an interactive effect of their measure of globalisation (trade with less developed countries). As we will see, using a less restrictive measure of globalisation, the expected interaction effect does appear. More importantly, Pontusson and Rueda (2000) concentrate on one dependent variable (wage inequality). My point here is that the distinction between different market economies should be crucial to explanations of any measure of union strength, whether it be wage inequality, union density or strike frequency.

⁹ Of course, other factors have been tested, and sometimes been found significantly to influence union density, wage inequality and strike frequency, eg inflation, industrial sector employment, public sector employment, wage rates, and trade flows. However, in the analysis to follow I have restricted the number of independent variables to those that consistently have been found strongly to explain labour strength.

In liberal market economies we should expect unemployment to be negatively related to union density and strikes and to have an egalitarian impact on the pay distribution.¹⁰

The impact of leftist governments should be the opposite. Thus, in liberal market economies we expect government partisanship positively to influence unionisation and strike frequency and to compress the wage distribution. The working mechanism here is the supposed positive relationship between labour strength in the political and market arenas.

Lastly, rising union density levels should equalize wages and have a positive effect on willingness to strike in liberal market economies.

If we instead turn to the countries categorised as coordinated market economies, we should find no or much weaker relationships in all three equations, with the relationship between unemployment and wage inequality as the only exception (see note above). The reasons for this have already been touched upon; the institutional constraints in a coordinated market economy will fix the power relationship between labour and capital, and to a greater or lesser extent insulate the actors from destabilising market forces. Therefore, we should expect trends in union density, wage inequality and strike frequency to develop without any relationship to shifts in economic openness, unemployment or government partisanship. These predictions are presented in Table 7.5.

Table 7.5. Expected effects on union density, wage inequality, and strike frequency.

Variables	LME:s	SME:s
	<u>Union / Wages / Strikes</u>	<u>Union / Wages / Strikes</u>
Globalisation	- / + / -	towards zero
Unemployment	- / - / -	towards zero (except for wage inequality)
Government partisanship	+ / - / +	towards zero
Unionisation	not applicable / - / +	not applicable / towards zero

¹⁰ The egalitarian effect of unemployment necessitates a brief comment. Normally, we expect rising unemployment to weaken labour strength. However, if this is the case, how might it be that rising unemployment rates decrease wage inequalities? The logic is rather simple. It is reasonable to assume that employers are more likely to lay off unskilled than skilled workers during a recession (Bradbury, 2000). Therefore, since the unemployed are disproportionately drawn from low-income groups, and the unemployed are not part of the wage dispersion data, we should expect unemployment to be associated with less wage inequality. It should also be pointed out that this accounting relationship is valid irrespective of institutional setting. That is, we expect unemployment to have an egalitarian impact in both liberal and coordinated market economies.

Before proceeding with the results of the regression equations a brief comment on the measure of economic openness is needed.¹¹ To capture the expected effect of globalisation, I use Quinn's and Inclán's (1997) measure of the extent of formal economic openness across countries and time.¹² This indicator measures, on an annual basis between 1950 and 1997, the severity of a nation's financial restrictions on exchange payments (imports, capital) and exchange receipts (exports, capital) on a 14-point scale, where 0 represents a closed and 14 an open economy.

To emphasise the dimension of interdependence, the original Quinn and Inclán indicator is weighted by the average openness of other economies. There is reason to believe that it is more important for the rest of the countries if a big economy lifts its restrictions. Therefore, the weight – the average openness of the other countries – will, in turn, be weighted by the relative size of each country's economy, measured as gross domestic product (GDP).

All the 21 countries for which Quinn and Inclán coded financial restrictions are used in this double weighting procedure.¹³ The measure of formal economic openness is based on the following formula:

$$\text{Weighted Openness}_{it} = \text{Openness}_{it} \times \frac{\sum \text{Openness}_{jt} \times \text{GDP}_{jt}}{\sum \text{GDP}_{jt}}$$

where Weighted Openness is the weighted index of economic openness used in the further analyses; Openness is Quinn and Inclán's original measure; GDP is the gross domestic product; and the subscripts t, i and j (i = 1-21, j = 1-21 and i ≠ j) refer to the particular year and country. The resulting openness scores are standardised in the range 0-1.¹⁴

¹¹ I use the fraction of social-democratic and other left parties of total cabinet posts as a measure of government partisanship. Data and a codebook on government partisanship can be downloaded from http://www.ipw.unibe.ch/mitarbeiter/armingeon/Armingeon_Klaus/cpd. Data on unemployment are taken from OECD, *Labour Force Statistics* (various years). For sources and explanations of the union density, wage inequality, and strike frequency measures, see tables 7.1 through 7.3.

¹² I wish to thank Dennis Quinn for generously providing these data.

¹³ Apart from the 18 countries examined below, the financial openness measure can also be computed for Greece, Portugal and Spain. Ideally, of course, all the economies of the world should be included in this indicator of formal globalisation. But, for so long as the advanced capitalist countries predominantly trade with and invest in other rich countries the limitation to 21 countries is a minor problem.

¹⁴ More traditional measures of economic globalisation, such as trade flows, trade with less developed countries, and flows of direct investment, were also tested but not retained in the final models. First, the effects of these net and gross flow variables on union density, wage inequality and strike frequency were, without exception, non-significant. Second, there are theoretical as well as methodological reasons for avoiding these more usual measures of economic openness. For a more thorough discussion of the weighted index, of Quinn and Inclán's original indicator, and of other measures commonly used to capture different dimensions of globalisation, see Oskarsson (2002).

The results of the analyses are presented in Table 7.6.¹⁵ Looking first at the column for all countries, we can see that, when not taking the distinction between different production regimes into account, the analyses confirm earlier research on explanations of labour strength. Increasing unemployment and economic openness negatively affect unionisation and strike frequency, whereas leftist governments seem to raise union density levels and strike rates (although the latter effect does not reach conventional levels of significance). In the wage inequality equation unemployment has an egalitarian impact, whereas economic openness increases the wage gap. We can also note that the effects of increasing unionisation follow expectations – negative in the wage inequality equation and positive in the strike model.

However, as the preceding discussion has shown, we should expect the effects of the explanatory variables to be contingent on broad institutional settings. A quick glance at the two rightmost columns makes this obvious. Here, it is evident that the estimated effects for the full sample are weighted averages of the effects estimated separately for liberal and coordinated market economies.

The results of the union density equations are the most clear-cut. Among the liberal market economies, the effects of all three explanatory factors are significant and have the expected signs. Increasing unemployment and economic openness have a negative impact on union density levels, whereas leftist governments promote unionisation. This should be contrasted with the coordinated market economies where the effects are weaker (unemployment) or non-significant (government partisanship and economic openness).

¹⁵ To avoid undue influence of extreme observations in the strike frequency distribution I use the natural logarithm of strike frequency in the models. For some years in some countries there are no reported strikes. Since the natural logarithm of 0 is undefined I add a small constant (0.0001) to the strike frequency before taking the logarithm. To account for the possibility of country specific intercepts the models include a full set of country (n-1) dummies. Further, it has been widely recognised that the error structure of a pooled model will, almost by definition, be very complicated and result in violations of many OLS assumptions (Stimson, 1985; Kmenta, 1990; Hicks and Janoski, 1994; Kittel, 1999). To obtain unbiased standard errors in the face of contemporaneous correlation and heteroskedasticity I use Beck and Katz' panel corrected standard errors (Beck and Katz, 1995). A final question to be dealt with is how to account for the dynamics of the model. In order to separate short-term and long-term effects and, from a more technical point of view, to correct for timewise autocorrelation, the models include a lagged dependent variable on the right-hand side (partial adjustment model). The estimates shown in Table 7.6 are short-term effects. To obtain the long-term effects, divide each estimate by $(1 - \beta_1)$.

Table 7.6. Union density, wage inequality, and strike frequency equations, 1970-1997 (panel corrected standard errors in parentheses).

Variables	All countries	LMEs	CMEs
Union density			
Unemployment	-0.089 *** (0.024)	-0.151 *** (0.027)	-0.062 ** (0.031)
Government partisanship	0.173 (0.149)	0.565 ** (0.207)	0.070 (0.189)
Economic openness	-1.463 *** (0.560)	-2.981 *** (0.731)	-1.040 (0.723)
Lagged dependent	0.953 *** (0.013)	0.917 *** (0.021)	0.946 *** (0.013)
Wage inequality			
Unemployment	-0.004 *** (0.001)	-0.004 ** (0.002)	-0.006 *** (0.001)
Government partisanship	-0.014 *** (0.003)	-0.020 *** (0.005)	-0.000 (0.005)
Union density	0.000 (0.000)	-0.000 (0.001)	0.003 *** (0.001)
Economic openness	0.063 *** (0.018)	0.060 ** (0.028)	0.034 (0.025)
Lagged dependent	0.648 *** (0.029)	0.721 *** (0.061)	0.501 *** (0.070)
Strike frequency			
Unemployment	-0.029 *** (0.009)	-0.015 (0.009)	-0.035 ** (0.015)
Government partisanship	0.060 (0.064)	0.029 (0.054)	0.068 (0.107)
Union density	0.011 *** (0.004)	0.020 *** (0.005)	0.009 (0.006)
Economic openness	-0.989 *** (0.232)	-1.371 *** (0.233)	-0.816 *** (0.303)
Lagged dependent	0.599 *** (0.047)	0.509 *** (0.050)	0.612 *** (0.056)
n	459	129	330 (Union density)
	261	90	171 (Wage inequality)
	441	155	286 (Strike frequency)
R ² (adjusted)	0.998	0.996	0.998 (Union density)
	0.976	0.971	0.954 (Wage inequality)
	0.951	0.986	0.928 (Strike frequency)
Significance levels: * < 0.10; ** < 0.05; *** < 0.01, two-tailed tests			

The wage inequality equations follow the same pattern. Significant effects of government partisanship (egalitarian) and economic openness (inegalitarian) are found among the liberal market economies. As was hypothesised, unemployment negatively influences wage inequality, irrespective of production regime. How-

ever, the positive and significant impact of unionisation in the CME cluster as well as the lack of a significant negative unionisation effect in the LME group is not expected. The egalitarian impact of unionisation is one of the most thoroughly supported results in research on wage inequality (Freeman, 1980; 1982). In light of this, the results presented in this chapter merit further investigation.

The results of the strike models are more mixed. Contrary to expectations, we find a negative effect of unemployment in the CME countries, and no effect at all in the liberal market economies. Further, government partisanship seems to be an irrelevant factor when explaining strikes, irrespective of institutional settings. However, the effects of unionisation and economic openness do conform to the stated hypotheses. The influence in the LME countries is cushioned by the institutional settings constituting coordinated market economies.

Thus, with a few exceptions – the effects of unionisation on wage inequality and unemployment, and governments partisanship on strike frequency – the results of the analyses render support to the causal claims of the ‘varieties of capitalism’ approach. The effects of common variables when explaining the strength of organised labour are clearly conditional on the nation specific institutional arrangements that constitute different production regimes.

Conclusions

The basic logic underlying this chapter can be stated succinctly. Political, social and economic behaviours are highly context specific, and, since contexts vary both through time and across space, neglecting to take contextual variation into account in attempts to grasp the complex of social reality will certainly lead us astray (Przeworski and Teune, 1970; North, 1990; Laitin, 2003). This premise will, by itself, make simpler notions about convergence among capitalist economies untenable. If behaviour is specific to particular contextual configurations, it is hard to see how a few sweeping explanatory factors can force hitherto nation specific political, economic and social systems to converge to some common denominator. In this sense, the convergence thesis is beaten beforehand.

Why then, one must ask, should one bother to refute something that, according to this basic premise, is plainly wrong? First, recent empirical and theoretical criticism may have turned the convergence hypothesis into what has increasingly come to resemble a straw man for most, but certainly not all, social scientists. However, the worlds of social researchers and political practitioners are not always in accordance. Politicians repeatedly use the so-called imperatives of globalisation as a scapegoat for justifying unpopular decisions. The political autonomy of the nation state is said to be irrevocably undermined because of severe competition for investment capital and export opportunities. Traditional social democratic reform policy as well as welfare state enlargements belong to the past.

Second, and more importantly, the main purpose of this chapter is not so much to refute ideas about convergence as to try to point towards a possible explanation of the apparent divergent fates of organised labour across the western world, with reference to contextual differences between nations. The empirical results clearly show that the effects on union density, wage inequality and strike frequency of common explanatory variables are contingent on specific production regimes. In liberal market economies, pressures for change from economic globalisation, increased unemployment, and shifts in government partisanship will shape the fate of organised labour. In coordinated market economies, on the other hand, institutional constraints will insulate the actors from these forces and trends in union density and wage inequality; strikes will develop without any relationship to changes in economic openness, unemployment or government partisanship.

Nonetheless, these results should not lead us to neglect the weaknesses of the ‘varieties of capitalism’ (VOC) approach. Above all, there is very little in the literature about the mechanisms underlying the different causal logics in coordinated and liberal market economies. The VOC approach does highlight a plethora of institutions, among which the key to the problem most definitely will be found. However, do common explanatory factors have different effects (leading to divergent trends) because corporate governance systems, industrial relations systems, inter-company systems, vocational training and education systems, and social welfare systems differ between the two clusters of countries? Is it the combination of all these institutional factors that matters? Or, have some important institutional constraints simply been neglected? The problem of pinpointing which institutions matter, how they matter, and for what outcomes, still awaits its solution.¹⁶

However, despite these shortcomings, the distinction between liberal and coordinated market economies does provide a preliminary answer to the question posed at the beginning of this chapter. That is, ‘How are we to explain variation in the strength of organised labour across time and space?’ The importance, both as a power base for the actors involved and as a precondition for different causal logics, of the institutional setting within which the unionisation process, wage setting and strikes take place, is clear enough.

¹⁶ Of course, there is research focusing on these questions. For unionisation, see Ebbinghaus and Visser, 1999; Western, 1997; Kjellberg, 1983; 2001; Oskarsson, 2002; 2003a. For wage inequality, see Pontusson and Rueda, 2000; Wallerstein, 1999; Iversen, 1999. For strikes, see Oskarsson, 2003b.

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Chapter 8. Unemployment, workplace democracy and political participation

Per Adman

Hypothesis

Many political theorists have seen a great democratic potential in the world of work. By organising this part of society in the right way, several desired effects have been expected. In my dissertation, ‘Arbetslöshet, arbetsplatsdemokrati och politiskt deltagande’ (Adman, 2004), which translates from the Swedish into ‘Unemployment, workplace democracy and political participation’, I investigate how citizen involvement in the political process is affected. The main arguments and findings are summarised in this chapter.

Two hypotheses are discussed in my dissertation. The first concerns unemployment. The claim is that unemployment has strong and negative effects on political participation. The second hypothesis focuses on the degree of democracy in the workplace. It is assumed that more democratic workplaces increase political activity among citizens.

Both hypotheses have been presumed to be valid by many researchers as well as by participants in public debates. I maintain, however, that previous research is deficient in several ways, and that the hypotheses are in need of further empirical investigation (ibid, 2004, p. 9-12). Further, Sweden is a particularly interesting case. Previous studies mainly consider the US, but Sweden and the US differ in several important respects. Sweden is characterised by less social and political inequality, less individualised politics, and more pronounced class mobilisation. I argue that, if similar results are obtained for both countries, the results can be generalised to several other countries that resemble two such different countries as Sweden and the US. Therefore, it was justifiable to test the hypotheses using Swedish data in my dissertation.

Unemployment and political participation

Ever since the 1930s, unemployment has been believed to have strong and negative effects on political participation (ibid, 2004, p. 9-11, p. 29). The origin of this belief is to be found in the seminal study ‘Marienthal: The Sociography of an Unemployed Community’ (1933). The authors, Marie Jahoda, Paul F. Lazarsfeld and Hans Zeisel, reported very low political engagement among the unemployed in the small Austrian town of Marienthal. In Sweden, high levels of unemployment occurred in the 1990s, which renewed interest in the hypothesis. For instance, in a recent Swedish Government bill on strengthening democracy,

adopted in 2002, the government expressed concern about the unemployed. The Bill concluded that measures had to be taken in order to avoid political alienation among these citizens (Regeringens proposition 2001/02:80, p. 35).

However, I argue that the findings of Jahoda, Lazarsfeld and Zeisel might not hold for modern welfare states (Adman, 2004, p. 29). In Marienthal social and economic life practically collapsed when its sole industry closed down. Further, in the 1930s, loss of work had major financial consequences for most citizens, in Marienthal and elsewhere. It is not evident that unemployment has equally negative effects on political participation in contemporary Sweden. On the other hand, over the last decades many studies have found negative effects with regard to several aspects of the well-being of the unemployed (see, eg, Nordenmark, 1999; Alm, 2001; Samuelsson, 2002). For example, the unemployed often refrain from social life, and experience nervous problems, insomnia and depression. From this perspective, negative effects on political activity seem likely.

What then does contemporary research actually tell us? Studies undertaken over the last decades mainly focus on the American case, albeit to some extent on the British and Danish cases. They report lower levels of political activity among the unemployed than people who are working (see, especially, Schlozman and Verba, 1979; Parry et al., 1992, p. 121-4; Marshall et al., 1988; Goul Andersen et al., 2003, Chapter 10; for further references, see Adman 2004, p. 29-31). But no causal effect has been found. The correlation disappears when controlling for socioeconomic status. In other words, most studies undertaken thus far do *not* support the hypothesis. Political activity is more or less unaffected by unemployment, it is concluded. The results have obviously not influenced debates in either the academic or the political arena.

For my dissertation, an empirical test of the hypothesis was undertaken using the Swedish Citizen Survey. This survey encompassed a representative sample of 1,460 residents aged 16 to 80, and was carried out in 1997 (for further presentation of the data, see Adman, 2004, p. 12-13).¹

In line with previous studies, I found the unemployed to be less politically active (*ibid*, 2004, Chapter 3). But I also found unemployment to have a negative effect on political participation. The correlation is weakened but a negative effect still remains when controlling for socioeconomic status. In other words, the results support the hypothesis. To be more precise, the following modes (or dimensions/forms) of political participation are affected:

- voting (in the Swedish local elections of 1998);
- contacting politicians, government officials, etc;

¹ Principal investigators were Anders Westholm and Jan Teorell, both at the Department of government, Uppsala University. Statistics Sweden carried out the fieldwork, which was mainly undertaken as face-to-face interviews averaging about 75 minutes. The response rate was 74.3 percent. Funding was provided by the Swedish Research Council for the Humanities and the Social Sciences (HSFR) and the Bank of Sweden Tercentenary Foundation.

- manifestations (activities aimed at calling attention to an issue, such as signing a petition); and,
- internal political efficacy (perceived possibility of affecting political institutions and political decision-making).

Activity in political parties (being a member, attending political meetings, and holding office) is the only participation mode that is not affected. I discuss why the results are not in line with previous research, and argue that it is not likely that the effects of unemployment are more negative in Sweden than in the US (ibid, 2004, p. 11, p. 130-131). Social and political exclusion should not occur as easily in Sweden, since the welfare state provides relatively high levels of unemployment benefits and is characterised by active labour market policies.

Instead, it is suggested that the difference in results depends on the way political participation is analysed. First, in previous research, different modes of participation have often been treated together (ibid, 2004, p. 31, p. 45-46, p. 131). This approach is not satisfactory, since separate modes of participation have been shown to have somewhat different explanatory factors. In the few studies where modes have been separated, not all the modes have been investigated. It is possible that the effects of unemployment on, for instance, voting and activities in political parties differ (as they do in the Swedish case), but that these differences have not been discovered. Second, when it comes to contact activities and manifestations, I have found that unemployment creates a 'threshold' for political participation (ibid, 2004, p. 38-47, p. 131). To find out whether or not thresholds existed, political participation had to be analysed in special ways; otherwise, the effects would have been underestimated. This is something previous research has not considered.

The hypothesis is in need of further research (ibid, 2004, p. 131). It is still uncertain whether unemployment causes political inactivity in other contexts. Future studies should consider countries that differ notably from Sweden, such as conservative welfare states or the US with its liberal welfare system (cf Esping-Andersen, 1990). An important task is to investigate whether threshold effects exist in such countries too.

The next step in the dissertation involved explaining the effect of unemployment (Adman, 2004, Chapter 4). Previous research has mainly proposed motivational factors, such as internal political efficacy, as causal mechanisms (for an overview of proposed mechanisms, see Schlozman and Verba, 1979). My approach was different, since I used the Civic Voluntarism Model (CVM), introduced by Sidney Verba, Kay Lehman Schlozman and Henry E. Brady in 'Voice and Equality' (1995). CVM is a general model, which aims to highlight the most important factors causing political activity. The model states that political inactivity is due to a lack of relevant resources (time, money, and civic skills), or a lack of psychological engagement (political interest, party identification, politi-

cal knowledge, and political efficacy), or that the inactive person lies outside any recruitment network. In other words, the reason for inactivity may be that one 'can't', 'won't', or 'nobody asked'. So far, CVM has mainly been applied to American data.

In my empirical analysis CVM performed rather well (Adman 2004, p. 52-70). The model is quite successful in explaining why the unemployed are less politically active. Three modes of political participation are considered here, and CVM explains most of the effect on two of them – namely, voting and contacting – and also some of the effect on manifestations. Further, resources and recruitment are shown to be the most potent explanatory factors; the unemployed become less active in organisational life, fall outside the recruitment networks where people are asked to participate in politics, and experience a decrease in income. Surprisingly, the engagement factors are of little importance. In other words, what explains political inactivity among the unemployed is not a lack of motivation as previous research suggested; the reason is instead that they 'can't' and that 'nobody asks'.

Briefly, I also discuss why CVM is less successful in explaining the effect of unemployment on manifestations (ibid, 2004, p. 68-70). I tentatively suggest that the mechanism involved lies in a motivational factor not included in the model. In Sweden the norm is that people do paid work. Those who are not working are likely to be stigmatised, ie experience strong feelings of shame. This might prevent them from identifying themselves as unemployed, something that makes mobilisation of this group more difficult. Manifestations are particularly expressive, compared with other political participation modes; therefore, processes of stigmatisation are likely specifically to affect this activity dimension. Greater attention should be paid to this issue in future studies.

I also investigated whether unemployment has positive effects on political participation, alongside the negative effects discussed above (ibid, 2004, p. 67-68). Most unemployed people want to work, and are discontent with the way unemployment agencies respond to their needs. Accordingly, the unemployed have good reasons to protest and raise their political voice. From this perspective, unemployment would be expected to lead to strengthened motivation to perform political acts. I have analysed whether or not this is the case. The results actually lend some support to the hypothesis; unemployment has a positive effect on political participation, which is explained by increased dissatisfaction with one's own 'working life conditions'. However, this positive effect is much weaker than the negative effect discussed above. Hence, unemployment increases willingness to take part in politics but also leads to a significant drop in politically relevant resources. The latter process is much more powerful, and therefore the total effect of unemployment on political participation is negative.

The section on unemployment ends with a discussion on political equality (ibid, 2004, p. 15-18, p. 135-139). To what extent do the results indicate political

inequality? Two normative theories are discussed – a self-protective model of democracy and a procedural model of democracy. I argue that the interests of the unemployed probably receive less attention, due to political inactivity among unemployed individuals. Therefore, according to the self-protective model, the fundamental norm of political equality is likely to be violated; the norm declares that everyone's interests should be given equal weight. For the procedural model the causes of unequal participation are crucial. Unequal participation is accepted if it is caused by differences in engagement but not by differences in resources. As was mentioned above, my analyses show that the unemployed are less active mainly because they have fewer resources (given that recruitment networks are considered as a resource alongside income and organisational affiliation). Hence, the empirical results also point to inequality when considered from the perspective of the procedural model.

I conclude that the situation for the unemployed is critical (ibid, 2004, p. 141). Individuals who are already less politically active – due to factors such as low level of education and low work status – find themselves unemployed more often than others. And, as unemployed, they become even less active; the voice of the weak becomes even more hard to hear.

Workplace democracy and political participation

Ever since the days of John Stuart Mill, theorists have emphasised the importance of what goes on in the workplace (ibid, 2004, p. 71-75). This is especially true for participatory democrats, among whom Carole Pateman is perhaps the most discussed in contemporary research. In 'Participation and Democratic Theory' (1970), Pateman suggests that experiences at work have strong effects on political participation. Further, she suggests that the key to this process is the distribution of power and influence. Work should be organised in ways that allow for the maximum amount of employee influence. According to a fundamental hypothesis within the theory, an increase in influence and participation at work will strengthen people's belief in opportunities to affect politics, which eventually will lead to an increase in political participation. In this way, participatory democrats place great hopes on a democratic working life, which they see as the starting point for a more participatory society at large. Further, political inactivity is widespread among citizens with low occupational status, and a more democratic working life is especially likely to increase participation among them. Thus, in Pateman's view, democratisation at work can not only increase political participation among citizens in general but also reduce political inequality.

Several scholars claim that satisfactory empirical evidence exists in favour of the hypothesis (see, eg, Greenberg et al., 1996). However, in my view, it is far too early to draw any final conclusions of this kind (Adman 2004, p. 75-81; see also Adman, 2003). There are three reasons for this. First, many of the empirical

studies performed so far are deficient. For instance, some studies lack controls for relevant background factors, such as education (for an example, see Elden, 1981). Second, a close examination of previous studies reveals that the evidence is far from convincing. To be precise, only one particular dimension of employee influence and participation (at work) has been found to increase political participation (Sobel, 1993; Greenberg, et al., 1996). This dimension, which is labelled 'direct participation' or 'face-to-face participation', deals with influence over and participation in decisions within a person's immediate working group (or sector within the workplace). 'Job autonomy', the other dimension that has been studied, concerns the level of control an individual has over his or her job; this dimension does not seem to affect political participation. Third, the effect of influence and participation at work is likely to have been estimated with bias in previous studies (even in studies where controls have been made for socio-economic-status factors, such as education). Since the analyses are based on cross-sectional data, it has been difficult to pay sufficient attention to self-selection and two-way causality, ie the possibility that political participation affects participation and influence in the workplace. As a consequence, the effects of workplace participation are probably overestimated.

Here, the hypothesis is put to empirical test using the Swedish Citizen Survey conducted in 1997, and a follow-up mail survey conducted in 1999.² When combined, the two surveys allow for panel-data analysis. This approach is virtually absent in previous research, but allows the methodological problems just mentioned to be handled with greater care (which is done by controlling for previous political participation, 'the lagged dependent variable'; see Adman, 2004, p. 103-107, p. 120-123). The surveys also permit empirical studies of the two dimensions of influence and participation in the workplace just mentioned.

The way face-to-face participation is measured is worthy of comment (cf *ibid*, 2004, p. 85-92, p. 113-116). In previous studies, this dimension of workplace participation has mostly been measured using one single interview item, concerning whether the respondent participates in decision-making during meetings (formal or informal) at work. However, Verba, Schlozman and Brady (1995) have shown that this activity is closely related to other activities at work, such as to give presentations, and to plan or chair meetings. Employees who often participate in decision-making during meetings also perform these other activities to a great extent. And all of these activities increase political participation, accor-

² The mail survey was conducted in the spring of 1999 as a short mail questionnaire. It was distributed to the same sample as the Swedish Citizen Study 1997, and the response rate in 1999 was 61.9 percent. Fifty-two percent of the original sample (1,054 individuals) took part in both waves. Principal investigators were Anders Westholm and Jan Teorell, both at the Department of government, Uppsala University. Statistics Sweden carried out the field-work. The 1999 mail questionnaire was provided by the government Commission on Swedish Democracy.

ding to the findings of Verba and colleagues (based on an American survey). I believe this approach to be fruitful; employees who are more involved and active during meetings are more likely to experience an increase in political participation. Therefore, face-to-face participation is measured by an index that encompasses interview questions concerning all of these different workplace activities.

Still, the analyses I have undertaken do not confirm Pateman's hypothesis. As for the dimension of job autonomy, no substantial effects are discovered, in either cross-sectional or panel-data analysis (Adman, 2004, Chapter 6). When it comes to face-to-face participation at work the picture is a bit more complex; significant effects are found in cross-sectional analysis, but not on the basis of panel-data analysis (*ibid*, 2004, Chapter 7). I suggest that the effects are overestimated in the cross-sectional analysis due to two-way causality and self-selection, and therefore the results from the panel-data analysis are more compelling.

All in all then, I do not find support for the hypothesis. In other words, the results contradict the findings of most previous research. I conclude that the differences in results are likely to be attributable to differences in research design, specifically the lack of panel data in previous studies. However, a word of caution is necessary (*ibid*, 2004, p. 108-109, p. 124, p. 134). The period of time between the two surveys may not match the lag of the effect; more influence and participation at work perhaps increases political participation after such a long time that it could not be registered using the 1999 follow-up survey. Thus, it is possible that the true effect is somewhat underestimated. In future studies, other lags should be considered.

For future research, I argue that three further tasks are particularly important. (*ibid*, 2004, p. 133-134). First, participation in company level decisions – yet another dimension of influence and participation at work – has rarely been investigated (not studied in my dissertation either). According to Pateman, this dimension might be expected to have the strongest effect on political participation. In reality, employees rarely participate in decisions at that level. Still, studies of this kind of participation are necessary in order to evaluate the empirical relevance of the theory. Second, the theory includes yet another hypothesis. It is not only positive effects on political participation that are predicted. A more democratic working life is also expected to have positive influences on political interest, political knowledge, and tolerance (so-called 'educative' or 'self-development' effects). It has rarely been investigated whether this additional hypothesis has empirical validity (but, see Adman, forthcoming). Third, the theory should be put more thoroughly to test from a gender perspective. In a recent American study, face-to-face participation in the workplace is found to affect political participation among women but not men (Schlozman et al., 1999, p. 46-47). Whether this holds in other countries, and why this might be the case, should be investigated more thoroughly (on this topic, see Adman, forthcoming).

All in all, there is a great need for further research, and it is still too early to draw any final conclusions about the empirical relevance of Pateman's theory. But, the empirical results so far do not live up to the great expectations many participatory democrats have expressed. The claim that democratic workplaces function as the starting point for a more participatory society at large is not supported. In addition, the influence of a factor such as education seems to be much stronger (see, eg, Nie et al., 1996).

This part of my dissertation ends with a discussion from the perspective of normative democratic theory (Adman, 2004, p. 15-18, p. 139-141). Even though workplace democracy is not found to affect political participation, it is argued that the results reveal political inequality. Individuals who seldom participate in decision-making in the workplace – and who have little influence over their situation at work – are less politically active, even though no causal effect occurs. As a result, their interests are probably being set aside, thereby violating the norm of political equality according to the self-protective model of democracy. From the perspective of the procedural model, the results also indicate political inequality. Background factors, such as education and work status, explain much of the correlation between participation at work and in politics. Political inactivity among those who have little influence in the workplace is thus a reflection of basic social divisions, ie the result of a lack of relevant resources (such as education).

Other arguments and findings

In my dissertation I also present some other arguments and findings. Here, I mention four of them. First, I discuss the definition of political participation (ibid, 2004, p. 18-25). According to the traditional approach, the term refers to activities undertaken by private citizens aimed at influencing the government (see, eg, Verba and Nie, 1972). In other words, activities are only classified as political when they are directed towards institutions that traditionally are considered as political. I argue that this definition is too narrow. Many activities are aimed at influencing society, though they are not directly targeted at political institutions. One example consists of boycotts of a certain company's products. Therefore, I suggest a wider definition of political participation; acts should be considered as political when they are designed to bring about improvements or counteract deterioration in society. In accordance with this wider definition, some further activities (such as boycotting) are included in my measure of political participation.

Second, I discuss the normative role of the concept of political efficacy (ie one's perceived possibilities to affect politics; see Adman, 2004, p. 15-18). In previous empirical studies both the self-protective model and the procedural model, ie *both* the normative theories in the dissertation, have been applied –

using political participation as an indicator to evaluate the degree of political inequality between different social groups (see, eg, Rothstein et al., 1995; Petersson et al., 1998). I argue that these theories can be examined in better ways if information about the respondent's political efficacy is also considered. Therefore, along with political participation, special attention was paid to political efficacy in the dissertation.

Third, I also, albeit briefly, discuss the concept of work status ('class'; see Adman, 2004, p. 47). Previous Swedish research has shown that this concept is multidimensional; for a complete picture of how occupational status affects political participation, it is not sufficient just to distinguish between white-collar and blue-collar workers (Petersson et al., 1989, p. 164-190). According to previous studies, several other dimensions must also be analysed, eg employment sector ('public' or 'private'). My findings suggest that yet another dimension of occupational status should be considered. Attention must also be paid to whether a citizen is employed or unemployed, in order to get a fuller understanding of how work relates to political activity.

Finally, in the light of my empirical findings, I discuss the relevance of the Civic Voluntarism Model (CVM) to the Swedish case (Adman 2004, p. 134-135). I conclude that the model performs rather well, though it needs to be modified when it comes to which resource factors should be considered. CVM focuses mainly on individual factors, ie money, skills, and free time. However, collective resources, such as access to networks and organizations, are important determinants of political participation in Sweden. Therefore, these factors should play a more prominent role in the model when adapted for the Swedish case.

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Chapter 9. Equal pay and the impact of the European Union

Tanja Olsson Blandy

Introduction

Sweden is often not only highlighted as a forerunner in gender equality, but also as a Member State which has had a significant impact on the development of the EU's equal treatment policy. Therefore, we would expect the EU's equal treatment to have had only a minor impact in Sweden. However, in order to comply with EU legislation, Sweden has modified its Equality Act several times (Bergqvist and Jungar, 2000; Fransson, 2001). In addition, there is still a discrepancy between the EU's equal pay principle, with its strong laws emphasising individual rights and non-discrimination, and the collective understanding in Sweden that equal pay is best regulated in collective agreements between the social partners, not by legislation (Borchorst, 1999; Nielsen, 1996). Consequently, there is a low level of individual protection and anti-discrimination provision concerning equal pay in the Swedish Equality Act. Instead, active measures and collective bargaining rights are emphasised as the primary means of regulating equal pay.

One assumption in this work is that the misfit between the EU's equal pay principle and the corporatist tradition in Sweden, via which equal pay is regulated, has created a 'window of opportunity'¹ for the Swedish Equal Opportunities Ombudsman (*Jämställhdhetsombudsmannen* in Swedish), hereafter referred to as *Jämo*, to enforce the equal pay principle in Sweden. The significance of government structures to furthering gender equality is a well-established research topic in feminist studies (Mazur, 1999). For example, Mazur and Stetson (1995) have shown that actors who work within equality agencies are often key players in the advancement of gender equality. The question raised in this work is how *Jämo* has responded to the misfit between the EU and domestic levels.

Most of the literature on the impact of the EU's gender policy on the Member States focuses on the possible effects of European law on the everyday lives of women and men in the EU states (see Hantrais, 2000; Hobson, 2000; Meehan, 1994). More recently, however, an emerging literature has focused on *how* the process of European integration in general affects policy process and domestic structures in the Member States. In a comparative study of the UK, France and

¹ I use Kingdon's definition of window of opportunity as 'opportunities for advocates of proposals to push their pet solutions, or to push attention to special problems', Kingdon (2003, p. 165).

Germany, Sabrina Tesoka demonstrates that there is rising awareness among a range of public and private actors, eg equality agencies and trade unions, with regard to the potentials of Community Law. Consequently, inter-country differences with regard to the existence of mediating factors might explain the differential impacts of EU politics in the three member states considered by Tesoka (1999). In another comparative study of the UK and France, Caporaso and Jupille argue that one important explanation for the successful implementation in the UK of the EU Equal Pay and Equal Treatment directives was the presence of the British Equal Opportunity Commission, which was a facilitator of change. In France, on the other hand, there was neither the same adaptational pressure nor the same array of public agencies (Caporaso and Jupille, 2001).

These results confirm that national equality agencies are concerned with EU policies and that they increasingly develop national strategies in order to profit from the EU opportunity structure. However, as these studies are concerned with impacts on national outcomes, they both treat equality agencies as mediators, and little attention is paid to processes or strategies. Featherstone and Radaelli argue that many studies of Europeanisation make this ‘leap in analysis’, linking strategies to outcomes without being much concerned with means. Consequently they tend to conclude that there has not been much empirical consideration of how actors activate and interpret the process and how strategies become effective (Featherstone and Radaelli, 2003, p. 336).

In addition, it is also important to distinguish between policy outcomes and the policy process Radaelli (2003, p. 50). Since it is difficult to assess the contribution of a single independent EU variable to domestic change, studies of outcomes run the risk of risk prejudging the significance of independent variables, at least according to Radaelli.² He therefore suggests that, instead of focusing on outcomes, political scientists should be more interested in questions of *processes* and of the co-evolution of domestic and EU structures (ibid, p. 52). Another interesting argument for studying actors, presented by Gerda Falkner, is that it avoids overlooking the importance of the effects of individual actors, since these can be a useful indicator of potential change at national level, albeit at a later point in time (Falkner, 2003, p. 17).

In this chapter, I will therefore use Radaelli’s definition of Europeanisation as a process of the construction and diffusion of rules and norms that are first defined and consolidated in the making of EU public policy, and then incorporated into the logic of domestic discourse and political structures (Radealli, 2003, p. 30). Then, I will focus on the actors and their roles in the policy process. How has Jämo activated and interpreted the process of Europeanisation? Can Jämo be identified as a *norm entrepreneur* of the EU’s equal pay principle? I will define a

² In order to analyse the outcomes of EU policy, any research design would need to control for alternative or complementary explanations (see Radaelli, 2003, p. 50-51).

norm entrepreneur as an actor with an authoritative claim to knowledge and with a normative agenda (Haas, 1992, p. 3-4). In the process of norm diffusion, such actors can reconsider their own preferences, or they can persuade others to get involved in the processes of socialisation and learning (Börzel and Risse, 2003, p. 66). The strategies they can use in their mission to diffuse new norms are identified as *proposing special policies* to decision makers, *legitimizing* new norms and ideas by moral argument, or adopting a key role in the *framing* of policies (Hass, 1992, p. 15; Finnemore and Sikkink, 1998, p. 897).

In this chapter, it is argued that the strategies adopted by Jämo to enforce the EU's equal pay principle are partly in contradiction with the traditional Swedish corporatist model. By taking several wage discrimination cases to the Labour Court, which is a specialised court that handles disputes over employment issues and where the social partners are represented, Jämo has not only questioned the traditional role of the social partners to regulate equal pay in collective agreements but also even the standing of the Court itself. Although there has been a lot of opposition of and criticism aimed at Jämo's strategy of taking wage discrimination cases to the court, it is suggested that this development might result in a changed role for the social partners in the future regulation of equal pay and wage discrimination.

I will proceed in the following steps. First, I briefly present the theoretical framework of Europeanisation and norm entrepreneurs. Second, I develop the empirical question and identify the misfit in Sweden. Finally, I analyse the strategies deployed by Jämo to promote the EU's equal pay principle.

Europeanisation and domestic change

The point of departure in my analysis lies in the three-step framework proposed by Cowles and colleagues. First, it is important to identify the Europeanisation process, or the 'formal and informal rules, regulations, procedures and practices' (Cowles et al., 2001, p. 3) at EU level that demand change at domestic level.

Second, the degree of misfit between the Europeanisation process and domestic structure needs to be identified. This determines the extent to which domestic policy has to change in order to comply with European norms and rules. Here, we can distinguish between *institutional misfit* and *policy misfit* (Börzel and Risse, 2003, p. 59-69). The former indicates a discordance between European rules and regulations, which can challenge not only national policy goals and standards but also the instruments or strategies used to achieve the goals. A policy misfit, on the other hand, is less direct than an institutional misfit, since it not only challenges domestic rules and procedures but also the collective understandings attached to them (ibid, p. 59-60). However, it is often emphasised that a misfit, or incompatibility, between the EU level and the domestic practices is a necessary, but not sufficient, condition for domestic change in response to

Europeanisation. The second condition is that various facilitating factors, actors or institutions, respond to the adaptational pressures that the EU imposes (Cowles et al., 2002, p. 9; Börzel and Risse, 2003, p. 60-62).

The third step therefore consists of how actors and/or institutions respond to the adaptational pressure. Börzel and Risse (2003) suggest that a misfit can be conceptualised in two different pathways, which they draw from March and Olsen's (1998) account of rationalist and sociological institutionalism. They do not mean that one perspective is better than the other in explaining domestic change. Rather, they argue that the two logics stress different factors that facilitate, or prohibit, domestic adaptation in response to Europeanisation (Börzel and Risse, 2003, p. 61).

Table 9.1 Different logics of domestic change, as presented by Börzel and Risse (2003).

Logic	Facilitating change	Prohibiting change	Domestic change
Rationalist institutionalism	Formal institutions using material and ideational resources	Multiple veto points	Resource distribution and differential empowerment
Sociological institutionalism	Norm entrepreneurs and/or Political culture and informal institutions		Socialisation and learning

From a *rationalist logic*, a misfit is described as an opportunity structure that can empower actors whose interests are positively affected by European integration. Actors are perceived as rational and goal oriented, operating on given and fixed preferences. From this perspective, a factor that can explain domestic change is the existence of formal institutions. If there are supporting formal institutions that have the capacity to exploit new possibilities, the EU opportunity structure may offer some domestic actors material or ideational resources to exert influence, while constraining others. However, whether changes in opportunity structures lead to a domestic redistribution of power does not only depend on the capacities of the actors to exploit these opportunities. Multiple veto points in a country's institutional structure can effectively empower actors with diverse interests and impede domestic adaptation. The more power that is dispersed across the political system and the more actors have a say in political decision-making, the more difficult it is to avoid constraints leading to change (ibid, p. 63-65).

By contrast, a *sociological logic* emphasises that actors follow the 'logic of appropriateness', guided by a collective understanding of what constitutes proper action. Instead of maximising their preferences, actors strive to fulfil social expectations. From this perspective, a misfit can result in the internalisation of new norms and ideas, provided that one of the following two mediating factors are present. The first is described in terms of 'change agents' or norm entre-

preneurs, who mobilise at the domestic level – persuading policy-makers to initiate change. This is an agency-centred version of sociological institutionalism that theorises the internationalisation of new norms and collective understanding.³ The second potential explanation for domestic change is more structuralist, and focuses on the political culture and other informal institutions. It suggests that informal institutions entail a collective understanding of appropriate behaviour that influences the way in which actors respond to Europeanisation.

Rational actors and learning institutions – a fruitful distinction?

Even though Börzel and Risse stress that the different logics of rationalist and sociological institutionalism are not mutually exclusive and often work simultaneously, they argue that the rationalist perspective follows a logic of empowerment if there are supporting formal institutions, and that a sociological perspective instead emphasises learning and norm change, if there are norm entrepreneurs or a political culture and other informal institutions which are conducive to consensus-building. However, I argue in this chapter, although tentatively in a theoretical sense, that the two-actor centred explaining factors, ie *formal institutions* and *norm entrepreneurs*, are not so easily distinguished when empirically tested. Hence, the difference between them may not be as important as it first appears.

First, Börzel and Risse stress that, from a rational logic, domestic change can be explained as a process of empowerment and redistribution of ‘material and ideational resources’ (ibid, p. 65). Hence, empowerment is not only understood in terms of material resources, but actors can also use ideas emerging from the Europeanisation process. Although it is wise not to separate material and ideational resources, it becomes problematic – as Börzel and Risse also argue – that from a sociological logic, Europeanisation is understood as the emergence of

‘new rules, norms, practices, and structures of meaning to which the member states are exposed and which they have to incorporate into their domestic practices and structures’ (ibid, p. 66).

If we interpret ideas as not so different from, or even as the same thing as, new rules, norms and practices, then the distinction between formal institutions and norm entrepreneurs seems less evident. The definition of formal institutions as using ideas emerging from the European structure is then close to the description of norm entrepreneurs as ‘change agents’.

Instead, the main difference between the two actor-centred explaining factors, as described by Börzel and Risse, is probably best understood in terms of preferences and how action is explained. Actors, from the rational logic, are treated as

³ Börzel and Rises draw here on the work of Finnemore and Sikkink (1998) and Checkel (1999).

goal-oriented with given preferences, while the sociological logic instead emphasises that the ‘logic of appropriateness’ influences the way in which actors define their goals. Norm entrepreneurs are viewed as not maximising their preferences, but acting in accordance with that which constitutes socially adapted behaviour in a given rule structure (ibid, p. 65).

We would then expect that, from a sociological logic, change would be described as a process of learning and interaction. In other words, whereas formal institutions have given preferences, norm entrepreneurs redefine their own interests. However, Börzel and Risse suggest that norm entrepreneurs not only can be involved in a process of socialisation, learning and redefining their *own* interests, but that they also can persuade *other* actors to reconsider their goals and preferences. If a definition of norm entrepreneurs does not have to entail that actors themselves redefine their interests, but only that they persuade others to initiate change, then we cannot exclude the possibility that norm entrepreneurs are also driven by rational goals. For example, norm entrepreneurs may have given preferences, but if these are not part of the ‘socially accepted behaviour’ in their environment, they might not express them. If then, for example, the European opportunity structure presents new possibilities to pursue ideas (new for the collective understanding of what constitutes appropriate behaviour in that environment, but not necessarily new for the norm entrepreneurs), norm entrepreneurs might then use the EU to persuade other policy-makers to redefine their interests, engaging them in a process of socialisation and learning.

In other words, it is very difficult to distinguish rational behaviour from what is considered to constitute proper, socially accepted behaviour. I agree then with Finnemore and Sikkink (1998, p. 888), who state that

‘rationality cannot be separated from any politically significant episode of normative influence or normative change, just as normative context conditions any episode of rational choice’.

The standpoint that it is not fruitful to separate different behavioural logics, however, does not help us identify a norm entrepreneur when we see one. Let us proceed to the operationalisation of norm entrepreneurs and the strategies they can use.

Norm entrepreneurs diffusing new ideas and norms

One assumption in the work described in this chapter is that a misfit can create a ‘window of opportunity’ that offers some actors additional resources to exert influence domestically. Kingdon (2003, p. 175) defines such a window of opportunity as something that enables policy entrepreneurs to push their pet solutions, or to direct attention to special problems. The window normally opens under shock or crisis, but it can also open under conditions of uncertainty. Decision-

makers might then need to consult policy entrepreneurs who can provide advice about the likely results of various courses of action (ibid, p. 176).

Also, Haas (1992, p. 3-4) emphasises that uncertainty, not least in international policy coordination, tends to stimulate demands for particular forms of information, and that entrepreneurs are possible providers of these sorts of information and advice. He distinguishes though between policy and norm entrepreneurs. According to Haas (ibid, p. 3), they can both be defined as specialised knowledge groups focusing on administrative empowerment, but the difference is that the latter are guided by normative and causal beliefs. Whereas Kingdon's policy entrepreneurs can advocate all kinds of 'pet' solutions (to promote their own values or personal interest), Haas defines norm entrepreneurs as having a normative objective. Norm entrepreneurs are, according to Haas,

'professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue area' (ibid, p. 3).

Rather than acting within a professional code or just operating to preserve their missions and budgets, norm entrepreneurs apply their knowledge to a policy enterprise subject to their normative objectives. In this chapter, I will therefore define norm entrepreneurs as actors with an authoritative claim to knowledge and with a normative agenda. In the process of norm diffusion, they can reconsider their own preferences, *or* they can persuade others to become involved in the process of socialisation and learning.

In their mission to diffuse new norms and ideas, norm entrepreneurs may use different strategies. First, under conditions of uncertainty, they can use their knowledge and *propose special policies* or give advice to decision-makers about the likely results of various courses of action (ibid, p. 15). In order to secure the state actors' endorsement of new norms, entrepreneurs may also supply them with important facts and information, using arguments of effect, empathy and morality (Finnemore and Sikkink, 1998, p. 900).

Second, norm entrepreneurs not only try to persuade decision-makers to redefine their interests, but they often also engage in intense debates with regard to *legitimate new norms* (Börzel and Risse, 2003, p. 67). Haas stresses that their claim to knowledge is their primary power source, which not only accords them a great degree of influence over policy debates, but may also lead to a refinement of their own ideas (Haas, 1992, p. 17; Finnemore and Sikkink, 1998, p. 900). This clearly illustrates how entrepreneurs either persuade others to engage in the process to redefine their interests and/or how they can reconsider their own preferences. In addition, Finnemore and Sikkink (ibid, p. 897) point out that norms never emerge in a normative vacuum, but instead enter a contested normative space where they must compete with the standards of 'appropriateness' defined by prior norms. In order to challenge existing logics of 'appropriateness',

they argue, norm entrepreneurs might therefore need to be explicitly ‘inappropriate’. This is an additional argument for not separating the rational and socio-logic logics of behaviour.

Third, the construction of cognitive frames is an essential strategy for norm entrepreneurs, who have an important role in the *framing* of policies (Haas, 1992, p. 15). Finnemore and Sikkink (1998, p. 897) stress that entrepreneurs are ‘critical for norm emergence because they call attention to issues or even “create” issues by using language that names, interprets, and dramatizes them’ (ibid, p. 897). If they are successful, the new frames resonate with broader public understandings and are adopted as new ways of talking about and understanding issues (ibid, p. 897).

The Europeanisation of equal pay – adaptational pressure and misfit in Sweden

How can we understand all the abstract concepts just discussed? Below, I develop the empirical question and identify the Europeanisation process as the introduction of the EU’s equal pay principle at domestic level. Then, I evaluate the policy and institutional misfit in Sweden and present Jämo as a potential norm entrepreneur of EU policy. Finally, I describe the dependent variable as change within Jämo.

The Europeanisation of equal pay

The right of women to equal pay with men for the same work was stipulated in the Treaty of Rome in 1957 (Article 119). Although treaties have direct effect, and are the strongest source of law in the EU, the Council passed the Equal Pay Directive in 1975 in order to facilitate the implementation of equal pay in the Member States.⁴ Directives are part of secondary legislation and they are drawn up to ensure the application of the treaties in national law and practice. They are binding, just as articles in the treaties, but they are important because they explain more clearly what duties are placed on the Member States. In addition, Directives also serve as an additional means of control for the Commission since they indicate a precise time limit for when they must be implemented. They only indicate minimal standards. It is possible for a Member State to introduce more favourable rules, and also to decide how to implement a Directive, for so long as the purpose and scope of it is assured.

The Equal Pay Directive not only defined the meaning of *pay* and *equal work*, but also widened it. While the Treaty of Rome implied a narrow definition of equal pay for the same work, the Directive extended the meaning of equal pay for

⁴ There was growing criticism in the parliament that, although Article 119 had been legally binding for many years, it had been implemented to only a very limited extent. See Ellis (1998, p. 147).

work of *equal value*, allowing comparison across jobs as assessed by job evaluation schemes (Ostner, 2000, p. 28; Hantrais, 2000, p. 118). In addition, the Directive outlaws all forms of discrimination on ground of sex, direct as well as indirect. The Equal Pay Directive was the first within the EU's equal treatment legislation, but it was followed by various directives concerning discrimination on ground of sex. The points common to them all are that they focus on women in their capacities as workers and that they are anti-discriminatory.

Mazur defines anti-discrimination policies as punishing both intended and unintended employment discrimination. On her definition, they often include equal pay and equal treatment laws that 'essentially set up legal norms and procedures for trying cases in courts of law' (Mazur, 2002, p. 82). The possibility of making an individual claim is also an important feature of EU law. This can be illustrated by the Burden of Proof Directive (97/80). Its aim is not only to ensure that the measures in the Equal Pay Directive, as well as in some of the other equal treatment directives, are made effective, but also to enable people who consider themselves wronged because the principle of equal treatment has not been applied to them to have their rights asserted by judicial process. In such case, the claimant only needs to put forward facts from which it may be presumed that there has been direct or indirect discrimination, and it is up to the respondent (the employer) to prove that there has been no breach of the principle of equal treatment.⁵

Consequently, EU law focuses strongly on the individual's legal rights (Ellis, 1998, p. 320; Nielsen, 1996, p. 20-22). However, the principle of anti-discrimination is a narrower concept than the promotion of sex equality or of positive action. While the anti-discrimination principle gives rights to individuals, positive action policies focus instead on the structure and functioning of the labour market (O'Connor, 1999, p. 55; Mazur, 2002, p. 92). Although EU law has often been criticised for concentrating solely on banning sex discrimination and not dealing with positive action (Hoskyns, 1996), it must be emphasised that the anti-discrimination principle can be considered as a very strong law in EU policy, not least since equal pay for equal value has been introduced in the Amsterdam Treaty.

Institutional and policy misfit in Sweden

Since the EU's equal pay principle, as described above, consists in strong laws with an anti-discrimination approach, adaptational pressure in this context refers to the way in which Sweden's equal pay principle coincided with or deviated from the EU standards at the time Sweden became a member of the EU. I will stress that there was an institutional as well as a policy misfit. The *institutional*

⁵ Council Directive 97/80/EC on the Burden of Proof in cases of discrimination based on sex, Article 1-4.

misfit indicates the means and instruments by which equal pay is regulated in Sweden, while the *policy* misfit specifies normative and cognitive understanding of equal pay. First though, it is necessary to give a brief account of the corporatist tradition in Sweden, which is crucial in understanding how the labour market in general, and equal pay in particular, is regulated.

Sweden has often been described as a typical corporatist state (Rothstein, 1991). This means that the major pressure groups – represented by the union, employer and farmer organisations – have been involved, together with the state, in the formulation and implementation of public policy. However, in contrast with many other states with corporatist features, when it comes to the regulation of the labour market, the Swedish partnership process has not been a traditional tripartite agreement. Instead, in a historic compromise called the ‘Swedish model’, the major union and employer organisations agreed to keep the state out of regulation of the labour market. This resulted in a minimal interference from the state, especially in the fields of working conditions and wage regulation.

Regarding working conditions, since the social partners had a common interest in minimal interference from the state, they not only resolved conflicts without state intervention but they also settled agreements in various fields, eg gender equality, job training or education. Consequently, the government has been parsimonious in issuing legislation in this field, and issues have mainly been settled by collective bargaining (Nyström, 2003, p. 309). In addition, much of the labour legislation is semi-discretionary, which means that the social partners can derogate the law in collective agreements. However, it is in wage regulation that the power of the major union and employer organisations has been most remarkable. For a long time, Sweden witnessed a strongly centralised collective bargaining system, and the social partners were considered as having the main responsibility for wage regulation (Petersson, 1991, p. 174). Although there were considerable changes in the 1990s, both towards a more decentralised collective bargaining system and by virtue of the fact that the Swedish Parliament and government have started to play an increased role in the legislation of working conditions, the tradition of the social partners’ power over labour market issues remains strong in Sweden (Nyström, 2000, p. 306).

But this is in breach of EU law. When entering the EU, Sweden was well aware of the misfit between weak laws in Sweden and strong EU law, which is influenced by the continental and Anglo-Saxon tradition, where labour policy is mainly regulated by legislation.⁶ Consequently, when negotiating Swedish membership, both the major union and employers organisations (LO, TCO and SAF), as well as the government, tried to obtain guarantees that the ‘Swedish model’ and its system of regulating labour policy in collective agreements would not be influenced by EU membership (Ahlberg, 2003, p. 22). This clearly illustrates the

⁶ See Nielsen (1996) for the misfit between Nordic and EU labour law.

important misfit Sweden faced in the field of labour market regulation. On the other hand, in Sweden as well as in the EU, gender equality legislation is regarded as a labour market issue; that is, the legislation only covers the situation of women and men in the workforce and it is not applicable outside the labour market. But, as we will see, as a consequence of the special role of the social partners in Sweden, there was nevertheless a significant misfit in the field of equal pay when Sweden became a member of the EU.

Further, turning to the *policy misfit* between EU law and the Swedish Equality Act, Sweden faced a considerable misfit as a result of its corporatist tradition. Whereas the EU's equal treatment legislation may be described as an anti-discrimination policy focusing on individuals' rights, in the Swedish Act there is a strong emphasis on positive action. Whereas individuals' rights are central to the first approach, positive action is concerned with the structure and functioning of the labour market and the implications of this for employment practices (O'Connor, 1999, p. 55). Positive action measures do not first and foremost protect individuals' rights. Instead, they recognise women and men as groups on the labour market, emphasising their collective rights.

Examples of active measures in the Swedish Act are the obligation for both employers' and workers' organisations to take active measures to promote wage equality. Further, employers with more than ten employees have a duty to establish annual plans with wage statistics to eliminate wage differentials between women and men. Until 1994 the duty to take active measures did not apply cases where the social partners had included the promotion of gender equality in their collective agreements. Following growing criticism of the social partners for not fulfilling what was expected of them in the Act, their possibility to derogate the law by collective agreement was eliminated in 1994, and the duty to pursue active measures was further strengthened (see Prop 1990/91:113 p. 78, Prop. 1993/94:147). Although the Act also takes account of anti-discrimination policy, as discussed above, it is still not clear how this approach should be interpreted regarding equal pay.

The fact that there have been so few wage discrimination cases in the Court might indicate that unjust wage differentials are not so common in Sweden. As a matter of fact, Sweden has the smallest average differential between women's and men's earnings in the EU.⁷ On the other hand, it has also been stressed that Swedish law imposes a heavy burden of proof on anyone who considers themselves discriminated against (Andersson, 1997, p. 120; Ahlberg, 1997/06), which may give another explanation for why so few cases have been taken to the Labour Court. In the EU, the burden of proof operates proactively; the individual

⁷ The average earnings of women employed full-time in industry and services in the EU were only 75 percent of those of men in 1995; in Sweden, women's average earnings were 88 percent (Clarke, 2001, p. 1).

only needs to put forward facts from which it may be presumed that there has been direct or indirect discrimination, but it is up to the employer to prove that there has been no breach of the principle of equal treatment. In Sweden, on the other hand, the individual not only needs to initiate a complaint that there has been discrimination, but she/he also has to demonstrate that the work is equal, or of equal value, to the job it is compared with.

Table 9.2 Models of equal pay policies.*

	The EU	Sweden
Institutions	Strong laws, formal structure. Individuals' legal rights, implemented by legislation.	Weak laws, informal structure. Employer-union negotiated collective bargaining rights.
Policy	Anti-discrimination policy. Individual rights. Proactive.	Positive action. Collective rights. Complaint based.

* Adopted and modified according to the model 'National Approaches to Sexual Harassment' by Kathrin Zippel (2003, p. 178). The model refers to equal pay policies at the time Sweden became a member of the EU, prior to the revision of the Swedish Equality Act in 2000.

In sum, while the EU law has been described as promoting anti-discrimination policy and individuals' rights, the Swedish Act is instead characterised by positive action and collective rights. These two approaches are often described as representing different models of regulating gender equality in general (Loven-dusky, 1989, p. 251; Mazur, 2002, p. 82; Zippel, 2003, p., 176), and equal pay in particular (O'Connor, 1999, p. 55). Kathrin Zippel (2003, p. 80), who has analysed collective and individual strategies in sexual harassment, argues that an ideal model would be one that handles individual complaints while also taking organisational, economic and cultural gender inequality into account. Some have argued that the discrepancy between collective and individual rights could result in the development of a stronger emphasis on individuals' rights in Swedish Labour law (Nyström, 2000, p. 321). According to our theoretical framework though, whether the Swedish principle of equal pay will be influenced by the EU depends not only on the capacities of national actors to exploit the new opportunities the EU is presenting, but also on whether there are institutional structures that can empower veto players with diverse interests and impede domestic adaptation. As we have seen, the social partners have hitherto been negative towards the introduction of provisions in the field of equal pay in the Equality Act. Let us proceed to the capacities of the national actor, Jämo, with regard to use of the tougher laws the EU is endorsing.

Jämo as a norm entrepreneur

With the introduction of the Equality Act in 1980, Jämo was established as an independent state agency to oversee enforcement of the Act. Even though the

government appoints the Ombudsman, who is the head of the agency, its formal authority is nevertheless strong.

In its law-enforcing role, Jämo has primary two functions. First, after the obligation of the social partners to actively pursue gender equality was established in law in 1994, the Ombudsman now has the power to enter all workplaces and carry out inspections. Second, the Ombudsman also has the authority to bring cases involving sexual discrimination before the Labour Court, if the trade union that represents the worker decides not to do so. Between 1980 and 1994, the Ombudsman brought several cases before the Labour Court (eg cases regarding sexual harassment), but no single case raised the issue of wage discrimination. This is most likely partly a result of the collective understanding in Sweden that legislation should not be the primary means of achieving equal pay, since – as mentioned above – there have only been two wage discrimination cases in the Labour Court prior to Swedish membership of the EU.

For the Ombudsman, who is responsible for the enforcement of the Equality Act, it is equally important that the equal pay principle was weak in the Act prior to the revisions of 1992 and 1994. It was not so common that work assessments between the social partners actually took place. The fact that there needed to be an existing work assessment in the collective agreements between the social partners, in order to compare equal work or work of equal value, limited the opportunity for Jämo to bring these cases to the Court.

In sum, there are two main reasons for analysing Jämo as a potential norm entrepreneur with regard to the EU's equal pay principle. First, since Jämo is responsible for the enforcement of the provisions of the Equality Act, it is logical to examine the role of the Ombudsman if we want to know in which ways domestic actors interpret and act in response to the Europeanisation process. Further, since there actually are indications that Jämo has perceived Swedish membership of the EU as an opportunity structure to endorse more individual rights, it makes it even more interesting to analyse the actions of the Ombudsman. For example, anticipating Swedish membership of the EU, Jämo initiated a study in 1990 to analyse what changes Sweden would need to make in order to fulfil its obligations in the field of equal treatment legislation. Regarding equal pay, it was concluded that, in the way the relevant provision was defined in the Equality Act, Sweden would face considerable criticism if it were not changed before entering the EU (Nielsen 1990, p. 7). The question is then what strategies the Ombudsman has deployed hereafter and what results it has had in the domestic policy process.

Terminologically, I will alternate between use of 'Jämo' and 'Ombudsman' – the first indicating the Equality Agency in general, the second signifying more precisely the Ombudsman as head of the Equality Agency. During the time period of this analysis, starting with the first wage discrimination case that Jämo took to the Labour Court in 1994, and ending in 2001 when several such cases

were settled in the court, there were two Ombudsmen. Lena Svenaeus was Ombudsman from 1994 until 1999, after which Claes Borgström replaced her. They both have backgrounds as lawyers, and they are not involved in party politics.

This study applies the method of ‘process-tracing’, which is a technique used by many policy analysts to unfold a particular set of events over time. It builds on three fundamental assumptions (Bennet and George, 1997). First, case studies deal only with certain aspects of the case, which should be of well-defined theoretical interest and have a common focus. Second, the approach requires a ‘systematic structure’ in data collection as well as in the questions that are asked in relation to any one case. Third, it is important to establish the ‘sequence of events’. Hence, by focusing on one particular actor, Jämo, I will limit the analysis to the theoretical issue of whether Jämo can be identified as a norm entrepreneur of the EU’s equal pay principle. In order to answer this question, the primary sources that will be used are communications that Jämo annually sent to the government between 1994 and 1999, and the pleas Jämo issued in wage discrimination cases. By using primary sources we obtain a good overview of the different strategies employed by Jämo. However, since no interviews were carried out, the study will not be able to say anything about the motives of the actors. Finally, in order to establish the ‘sequence of events’, we will pay particular attention to the actions Jämo has taken prior to and after Swedish EU membership.

Dependent variable – Change in institutions and policy within Jämo

Thus far, the questions of how the EU can be expected to influence domestic matters, and in what way Jämo is envisaged to be the potential actor of Europeanisation, have been answered. It is now time to specify not only how domestic policy can change, but also at what level it can change.

Following the definition of misfit in this paper, we can expect change, on the one hand in the *institutions* and on the other in *policy*. First, as was discussed in the introduction, an institutional misfit does not only challenge national policy goals and standards, but also the instruments or strategies used to achieve the goals. The question that will be analysed here is how Jämo employs the EU’s equal pay principle in the domestic policy process. By analysing the strategies and activities used by Jämo, can we identify the Ombudsman as a norm entrepreneur of EU policy? In other words, is Jämo legitimising new norms, framing policies or proposing special policies to decision-makers in order to persuade them to redefine their interests? In addition, according to rational logic, Europeanisation may empower actors whose interests are positively affected by European integration. The question is then not only if the EU’s equal pay principle has empowered Jämo, but also how we operationalise ‘empowerment’. As discussed above, Jämo’s role in the policy process can be divided into the formal

and the informal (European Commission, 2002, p. 95). With regard to its formal role, Jämo's statutory rights and legal functions are analysed. Besides resources (in manpower or finance), Jämo's formal role can also take the form of active participation in planning, drafting or commenting on legislation. Jämo's informal role in the process focuses instead on the consultative role often possessed by equality agencies. Such agencies are often represented in advisory committees in order to provide guidance on the preparation of legislative initiatives and to comment on draft legislation, or just to provide expert guidance and input into the process of developing new approaches or legislation (ibid, p. 94). In sum, if the EU has altered the strategic position of Jämo, in what way has Jämo's formal or informal role in the policy process changed?

However, according to sociological institutionalist logic, Europeanisation should affect not only formal political structures, but also the values, norms and discourses prevalent in the Member States, ie the *policy*. The question is then if the policy logic behind the EU's equal pay principle, which was defined as focusing on anti-discrimination policy and individual rights, has affected the discourse and the content of the policy agenda of Jämo. How are the interests, norms and beliefs defined by Jämo to promote equal pay in Sweden?

Role of the Ombudsman

– developing old and new strategies to enforce EU law

Below, I discuss how Jämo has employed the EU's equal pay principle in the domestic policy process. I concentrate on institutional change, ie the strategies and activities used by the Ombudsman, but I also briefly discuss the ways in which institutional misfit has led to a policy change and how the Ombudsman has framed the ensuing discourse.

Taking wage discrimination cases to the Labour Court

Shortly after Sweden joined the EU, Jämo initiated a strategy that was to attract a lot of attention in the media. With the support of Article 119 and the Equal Pay Directive, Jämo started to take wage discrimination cases to the Labour Court to compare women's and men's wages.

Jämo had never taken any wage discrimination case to the Labour Court prior to Sweden joining the EU. But, between 1994 and 1999 the Ombudsman took six cases to the Court, which indicates that Jämo perceived EU law as an opportunity structure. In addition, when bringing the first case to the Court, the Ombudsman, Lena Svenaeus, stated that it was the adaptation of the Swedish Equality Act to EU law that now permitted wage cases in the Court. Further, she claimed that it was not possible to rely any more on the Swedish model for wage differentials between men and women to disappear, since there was a considerable risk that existing pay differentials would only be carried forward from year to year if no

specific action was taken to address wage discrimination (Göteborgs-Posten, 17 October 1995).

All the six cases concerned female nurses or midwives working in state hospitals. Jämo explicitly argued that, besides the duty to investigate wage discrimination, it was also important to get some guiding principles for the social partners. According to Jämo, all these cases illustrated wage differentials that depended on the divided labour market in the medical sector, where a ‘woman’s job’ is paid less than its male equivalent (Jämo press release, 16 June 1999). As we will see, although Jämo relied on EU law by referring to it in all the cases, Jämo won only the first of them, while in all the succeeding cases the Labour Court consistently ruled against the female workers represented by Jämo.

The first case, the only one that Jämo actually won, concerned two civil servants at a municipality office where a female employee was paid less than her male colleague for performing almost *identical* jobs. The Ombudsman referred to Article 119 of the Equal Pay Directive, claiming that EU rules and regulations now were directly applicable in Sweden (AD 1995, no. 158, p. 1124). This illustrates what Kingdon (2003, p. 175) calls ‘seizing an opportunity’. Although Sweden was not even a member of the Community at the time, Jämo took the case to the Labour Court (1994); the agreement on the European Economic Area (EEA) had been signed, and the Labour Court judged in favour of the woman, maintaining that the two employees were performing work of equal value (AD 1995, no. 158, p. 1145). According to Kingdon (2003, p. 175), when a window opens, entrepreneurs must be prepared. They not only sense an opportunity and rush to take advantage of it, but sometimes they even anticipate the opportunity.

However, while the Labour Court accepted Jämo’s comparison between two almost identical jobs,⁸ the Court was not disposed to accept the second principle of the Equal Pay Directive. This concerned the principle of comparing *work of equal value*, which was central to the second wage discrimination case that Jämo took to the Labour Court. This was a case that would not only be long lasting, but would also receive much attention in the media. This time, it was not the same *kinds* of work that were compared; instead, the Ombudsman sought to convince the Labour Court that the work of a midwife was of *equal value* to that of two male technicians working at the same clinic whose wages were higher than the wage of the midwife (Jämo, *plaint, stämningensansökan*, 1995).

The case was meant to be a test case, and – by using a system for job evaluation – Jämo wished to show that it would now also be possible to compare work of equal value (Ahlberg, 1997). In Sweden though, in order to prove that discrimination might be presumed, the employee first has to establish that her

⁸ Although the Court ruled in favour of the woman, it did not reach a unanimous verdict. According to two of the seven representatives, it was Jämo who had the burden of proof, and they were of the opinion that Jämo had not been able to prove that the woman and the man were performing equal work (AD no. 158/1995, p. 1162).

work is equal to, or at least of equal value to, the work of the man she is comparing herself with. Only once this is established does the burden of proof revert to the employer, who has to show that wage differentials are not due to any discrimination on ground of sex. The Labour Court was however critical of the job evaluation presented by Jämo, and decided that it was not proved that the employees were performing work of equal value. Consequently, the employer never had to present evidence that this was not a question of sex discrimination (AD 1996, no. 41).

Two years after this defeat, Jämo took again the same case, which came be known as ‘the second midwife case’, in the Court. The Ombudsman presented a renewed and even more comprehensive job evaluation, in which another two midwives claimed that their wages were discriminatory (Jämo, *plaint, stämningensansökan*, 1997a). It was evident that Jämo was critical of the Labour Court’s previous ruling. First, Jämo accused the Labour Court of not taking into consideration the revision and the adaptation of the Swedish Equality Act to EU law. Instead, according to Jämo, the Court had relied on preparatory government bills, not on the modified Equality Act itself (Jämo, 1997a, p. 5). Jämo’s main criticism was that the Labour Court required too heavy a burden of proof on the part of those who considered themselves discriminated, which – according to the Ombudsman – was in breach of EU law. In addition, since the Court had not approved the last work evaluation presented to the Court, Jämo now demanded that the Court appoint an external expert for the evaluation of the new assessment Jämo was presenting (*ibid*, p. 7-8).

This demand was rejected, and the Court decided instead to refer the question to the European Court of Justice (ECJ), so as to obtain guidance on how to compare the wages of people in different positions. This was not a demand of the Ombudsman, but of the employer (a Swedish county council), which insisted on knowing what should be included in a work comparison.⁹ Jämo, on the other hand, emphasised that there had already been a similar case in the ECJ, and that there consequently was no need to refer the question to it.¹⁰ When the ECJ ruled in favour of the Ombudsman, the Swedish Court approved the use of the job evaluation, and also the legitimacy of the comparison of wages between the midwives and the technicians. But, the Ombudsman nevertheless lost the case because the Labour Court found that the technician had a higher wage as a result of market circumstances and also due to his age. The case could therefore not be regarded as sex discrimination, according to the Court (AD. no. 13, 2001). Although the case was lost, Jämo considered it an important ruling because it

⁹ The employer argued that midwives’ additional pay for inconvenient working hours, and also the value of the reduced working time that midwives enjoyed because they worked on a three-shift system, should be added to their total wage when compared with technicians.

¹⁰ According to Jämo, there was a case in the ECJ (the Barber Case – C-262/88) where this question had already been answered (AD no. 66, 1998, p. 403).

was now, for the first time, explicitly clear that it was possible to compare different jobs. For this reason, Jämo regarded the verdict as a partial victory (Jämo press release, 21 February 2001). As a result, in this case, it is easy to see the EU as an opportunity structure for Jämo. Had it not been for the ECJ's ruling, it is very uncertain how the Labour Court would have ruled in this case.

Before this ruling, which took three years, the Ombudsman had already taken three similar cases to the Labour Court, all concerning female nurses in the medical sector earning less than their male counterparts. However, when a subsequent case was lost because the Labour Court again accepted an argument based on market circumstances, the Ombudsman (now represented by Mr Borgström) decided to withdraw the remaining cases. He argued that, for so long as the Labour Court accepted the employer's argument regarding market wages, the financial stakes were too high to pursue legal action (Berg, 2001).

To sum up, it is clear that the Ombudsman perceived the EU legislation as an opportunity to take wage discrimination cases to the Labour Court. In addition, the Ombudsman used what Haas has identified as norm entrepreneurs' primary power resource, ie their claim to professional expertise and knowledge, as a criticism of the Court. Lena Svenaeus (the first Ombudsman) accused it of not applying EU rules and regulations, which can be interpreted as a claim to a superior professional knowledge than the Court. Since Jämo won only one case, albeit one further in part, the persistent strategy of pursuing several similar cases, which demanded a lot of time and resources, did not result in the empowerment that Jämo had hoped for.

According to some researchers, this illustrates the conflict between the Swedish tradition of leaving the question of wages to the social partners and the anti-discrimination approach of individual rights in the EU (see, eg, Fransson, 2001, p. 378). In its rulings, the Labour Court has also stated that the fact that a wage has already been settled in collective agreements is not irrelevant in the judgement of wage discrimination cases (AD no. 13, 2001, p. 34). Since the Labour Court seems reluctant to believe that there are no gender gaps built into collective agreements, and that it is up to the social partners to take care of the wage setting, it has effectively constrained the Ombudsman's intention to introduce more individual rights into the Swedish equal pay principle. Consequently, the Ombudsman has – in different ways – accused the Labour Court of hindering the implementation of EU law in Sweden. As we have seen, the Ombudsman has both questioned the competence of the Court, and also accused it of not applying EU rules and regulations. Below, we will see that this strategy was complemented by yearly communications to the Minister of Employment and Equality, as well as in the media.

Communications to the Minister of Employment and Equality

In order to bring the government's attention of the discrepancy between Swedish law and EU law on the one hand, and on the other, of her criticism of the Labour Court, the Ombudsman initiated yearly communications to the Minister of Employment and Equality. This illustrates how Jämo as a norm entrepreneur proposed specific policies to decision makers, with facts, information and moral arguments. Further, the yearly communication also shows how Jämo created a new instrument in order to secure the support of state actors.¹¹ The first communication was sent in August 1996, shortly (four months) after the first lost case in the Labour Court. Once every subsequent year in August, a new communication was sent, up until 1999 – the last year Lena Svenaeus held the post as Ombudsman.

Starting the criticism of the Labour Court, which is composed of representatives of employers and trade unions, the Ombudsman questions the suitability of the Court to judge in wage discrimination cases. Her main criticism was that wage discrimination in the workplace should not solely be regarded as a work-related issue. Instead, she argues, gender discrimination has to be compared with discrimination on grounds of race, religion or disability, and should therefore be regarded as an issue of *human rights* (Jämo, 1996:1-2; 1998:4-5; 1999:2). Wage discrimination is thus a different and a much wider question, which goes beyond the collective labour law disputes the Court is supposed to settle. In ordinary disputes, the Ombudsman argues, it is unproblematic to define the different interests of the employer and the trade union. In wage discrimination cases though, it becomes clear that the dividing line is no longer between the employer's and the trade union's interests, but between different norms regarding gender relations. Since the social partners have already agreed on the wage in collective agreements, neither of their representatives in the Court wants to declare the agreement invalid. In addition, if the Court judged in favour of the plaintiff, it would risk annulling the whole collective agreement, which – according to the Ombudsman – illustrates the common interest of the social partners (Jämo, 1996:2; 1998:4; 1999:2). As a result, Svenaeus declares the procedural rules at the Labour Court as unsuitable for wage discrimination cases, and advocates new rules for such cases.

The first suggestion concerns, not unexpectedly, the *composition of the court*. In order to minimise the risk of a biased court, the Ombudsman recommends that the composition of the Court be changed. Out of the seven members of the Labour Court, the employers' and the trade unions' organisations have two representatives each. The Chairperson and the Vice Chairperson are members with experience as judges and do not represent the social partners. The third member

¹¹ For analysis of the communications to the Minister of Employment and Equality, see also Carlsson (2002).

is supposed to be an expert on the labour market. Since the social partners control the Court, the Ombudsman suggests a new composition in which they no longer have a majority.¹² Moreover, she emphasises that male dominance in the Court is a problem, and recommends a more equal gender representation (Jämo 1996:3).

Second, the *competence of the Court* is also questioned. One of the rationales for a specialised Labour Court is that labour law is complicated, and therefore requires representatives with expert knowledge. However, the Ombudsman states that competence in labour law does not necessarily mean that members of the Court have the necessary knowledge in anti-discrimination law, or even in EU law (Jämo, 1997b:1-2). Therefore, she suggests that only representatives with special knowledge of discrimination issues should be elected to the Court (Jämo, 1996:4). In addition, she recommends that the third ordinary member, the expert in labour law, also has an adequate education in EU-law because it is

‘not reasonable to demand that the members should, on their own, keep à jour with case law from the EU-court or the comprehensive “soft-law” which also is guiding for the Labour Court’ (Jämo, 1997b:4).

In sum, the Ombudsman indicates that a majority of the members of the Labour Court should be lawyers with a special competence in discrimination law and human rights.

Turning to the *discrepancy between EU law and Swedish law*, the Ombudsman repeatedly points out that EU law is more comprehensive than national law on several issues.¹³ The subject of equal pay was not raised until 1997, when Jämo had already lost two cases in the Labour Court. Very much the same arguments are emphasised here as in the plea to the Court. The Ombudsman recommends two changes in the Swedish Equality Act. First, it is suggested that the burden of proof should change and, second, that it should be explicitly stated in the Equality Act that it is possible to compare two different jobs in order to prove equal pay for work of equal value. Thus, Jämo can be considered as using dual strategies in order to attract the attention of decision-makers to the need to amend the Equality Act again. However, as we will see below, not everyone agreed with her criticism of the Labour Court.

¹² The suggestion is that either the number of ordinary members of the Court should be increased or the number of the representatives of the social partners should be reduced (Jämo, 1996:4).

¹³ The Ombudsman maintains that Sweden needs to incorporate EU legislation on sexual harassment into national law, since EU law is more comprehensive than Swedish law in this respect (Jämo, 1996:4-10). Also, regarding the Equal Treatment Directive (76/207/EC), it is claimed that national legislation does not live up to more inclusive EU law (Jämo 1996,11-12; 1997:2).

Debate in the media

Jämo's strategy of taking wage discrimination cases to the Labour Court received considerable attention in the Swedish media. Never before have any cases in the Labour Court been so much scrutinised as these cases. In the debate, which was held in the daily newspapers as well as in the specialist Swedish labour law journal *Lag & Avtal*, representatives from the social partners as well as lawyers and other academics participated. The debate reached peaks in 1996 and 2001, in relation to the first and last case comparing work of equal value, and it was clear that the subject evoked malicious dispute. Some of the critics of the use of legal measures in wage discrimination cases accused the Ombudsman not only of demolishing the Swedish model but also of a lack of competence, and hence demanded her dismissal.¹⁴ Although the most critical opinions came from the employers' organisation, not even the nurses' union supported the cases, which they argued breached Swedish tradition.¹⁵ This clearly illustrates the widespread collective understanding in Sweden that legal measures should not be used to achieve equal pay. In addition, according to Eva R. Andersson, who analysed the debate until 1997, the discussion focused more on the social partners' right to settle wage issues, the potential risks for the economy if the nurses should win, and not least the competence of the Ombudsman, than on the issue of wage discrimination (Andersson, 1997, p. 112). The same line of argument can also be found in relation to the cases after 1997 (see *Lag & Avtal* special edition 2001-2002).

Turning to the position of the Ombudsman, she was also a frequent contributor to the debate in the media throughout the period. Some of her contributions were just responses to criticism. Nevertheless, she also used the media further to develop her critical standpoint on the same issues as in the yearly communications. Following her retirement as Ombudsman in 2001, a year during which a series of wage discrimination cases were settled in the Labour Court, Ms Svenaeus went even further in her criticism of the Court.

It was 'the second midwife case', in which the Labour Court had confirmed that two female nurses were not victims of sex discrimination, although earning less than a male medical technician for performing the same work, that set off a lively debate in the media. Shortly after this ruling, Svenaeus wrote an article in response to one of the critics of the use of legal measures in wage discrimination

¹⁴ See Myrdal (SAF) in *Dagens Nyheter*, 20 March 1996, 'Dismiss Jämo' (Ge Jämo sparken); Popova and Söderkvist in *Dagens Nyheter*, 26 March 1996, 'The myth of sexual harassment' (Mytspridning om sextrakasserier).

¹⁵ The nurses' union did though support Jämo during the first two wage discrimination cases, until 1997, when Eva Fernvall (chair of the nurses' union) announced that the union did not find Jämo's strategy productive. Going to the court would not solve discriminatory wages, according to Fernvall, who declared that the nurses union' from now on instead would work for an individual wage system. See Fernvall in *Dagens Nyheter*, 29 October 1997, 'Vårdfacket tar avstånd från Jämo', and in *Lag & Avtal*, 2001, 'Ansvaret vilar på parterna'.

cases. Svenaeus argued that, according to conventions of human rights, gender discrimination cases must be held in courts that meet the requirements of impartiality and independence stipulated in the European Convention. Since the Swedish Labour Court is the court of the social partners, it does not fulfil this criterion, according to Svenaeus. Instead, she continues, it rules according to the norms held by the social partners, and not according to EU law, as it should (*Lag & Avtal* no. 4, 2001:6).

Svenaeus was heavily criticised in the media for taking wage discrimination cases to the Court, and many probably believed that the succeeding Ombudsman, Claes Borgström, would be less radical than she had been. However, when Mr Borgström took over the post as Ombudsman, he followed the same line of arguments as Svenaeus. Borgström also spoke of wage discrimination as an issue of human rights and, like Svenaeus, he was critical of the composition of the Labour Court (*Lag & Avtal* no. 9, 2001). In addition, after the lost cases in the Court, he went even further in his criticisms. Now, he argues that wage discrimination cases should not be held in the Labour Court at all, since there is no right of appeal against the decisions of the Court; therefore, he would prefer to take the cases to the public courts instead (Borgström, 2001; 2002).

Conclusion

The point of departure in this chapter was that the misfit between the EU's equal pay principle and the corporatist tradition in Sweden of regulating equal pay in collective agreements has created a 'window of opportunity' for the Swedish Equality Ombudsman (Jämo) to enforce more individual rights and anti-discrimination policy in the regulation of wages. More specifically, the question posed is in what way Jämo has activated and responded to this Europeanisation process. Can we identify Jämo as a norm entrepreneur of EU policy?

The empirical findings show that the Ombudsman used the misfit between EU and domestic levels as an opportunity structure in her law enforcing function. Before 1994, only two wage discrimination cases had been taken to the Labour Court, none by Jämo. So, when the Ombudsman took her first case to the Court she claimed that it was EU law that now made it possible to bring wage discrimination cases in the Court. In addition, by analysing the activities deployed by Jämo, we can identify several of the strategies that norm entrepreneurs use.

First, a repeated strategy in order to *legitimise new norms* has been the Ombudsman's claim to superior knowledge in EU law. This strategy was used in the plea to the Court, in the communications to the Minister of Equality and Employment as well as in the debate in the media. More precisely, she both accused the Court of not applying EU law, and also pointed to some measures in the Swedish Equality Act that, according to her, still needed to be modified in order to comply with EU law.

With the first lost case in 1996, the Ombudsman initiated yearly discussions with the Minister. The aim of the discussions was, on the one hand, to call attention to her criticism of the Labour Court and, on the other, to point out the discrepancy between EU law and Swedish law. By *proposing special policies* the Ombudsman tried to persuade the Minister to change the composition of the Labour Court as well as to make changes regarding equal pay in the Swedish Equality Act. Further, the discussions were a new idea, and they show how national actors can introduce new strategies in response to the Europeanisation process. Finally, by referring to equal pay as a question of human rights, the Ombudsman tried to *frame the discussion*, arguing that it is inappropriate to regulate issues of human rights in the Labour Court.

While Jämo has actively responded to the Europeanisation process, there has been considerable domestic opposition to the Ombudsman's strategy of introducing more individual rights in the regulation of wage discrimination. Although domestic adaptation to EU rules has introduced strong laws emphasising individual rights in the Swedish Equality Act and made it possible now to bring wage discrimination cases to the Labour Court, the Ombudsman has not won any case brought to the Court where different jobs were compared. Instead, the Labour Court has acted as a veto player and obstructed the implementation of EU law. This clearly illustrates the conflict between the EU equal pay principle and the collective understanding in Sweden that equal pay is best regulated by the social partners and not by legislation. In addition, the representation of the social partners in the Labour Court also demonstrates, as suggested by the theoretical framework, that the more power is dispersed across the political system, the more difficult it is to avoid constraints leading to change.

Hence, any answer to the question of whether the EU has empowered Jämo is ambiguous. On the one hand, the facts that changes in the Equality Act and the cases brought to the Labour Court have not resulted in a more formal structure and strong individual rights concerning equal pay must be disappointing to Jämo. On the other hand, the EU provides the Ombudsman with new arguments and tools in the domestic policy process. As we have seen, the Ombudsman frequently refers to EU law when proposing policies to decision-makers, as well as when legitimising new norms. In addition, the supremacy of the European Court of Justice over national Courts can also be regarded as a valuable tool that the Ombudsman used in argumentation.

I therefore argue that this chapter also has theoretical implications for the understanding of the difference between the rational logic, which explains change as a resource distribution effected by rational actors, and the sociological logic, which instead explains change as a result of actors who learn to use new norms. I believe that they are not as important and easily distinguished as suggested by Börzel and Risse. Instead, the empirical evidence illustrates that empowerment does not have to be in terms of material resources, but that it can

also be in terms of new ideas and ways of framing issues. In addition, since the criticism of the Labour Court, and also Jämo's ambitions to influence the Equal Opportunities Act, is not new, I would describe Jämo as a *rational* actor that has *learned* how to use EU politics in the national policy process.

Finally, although the Labour Court has hindered the implementation of EU law in the domestic process, there are signs that its future role in the regulation of wage discrimination might change. In 2003, when the government appointed a committee with the mission to oversee the discrimination laws in Sweden, the committee was also assigned to assess the future role of the Labour Court in wage discrimination cases. In my translation:

‘From time to time there has been a debate over court procedures in discrimination cases, *primarily in the arena of wage discrimination*, where the criticism has been raised that such cases are determined by a court in which the parties to the labour market constitute a majority’ [italics added] (Directive 2002:11).

This suggests that Jämo's strategy of taking wage discrimination cases to the Labour Court has prompted criticism of the Court. If, however, the committee finally proposes that wage discrimination cases should be held in ordinary courts, it would represent a breach of the Swedish model, where the social partners traditionally have had the main power in wage regulation.

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