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WHAT'S LEFT TO TRADE: THE CHANGING LOGIC OF
CORPORATIST POLICYMAKING IN EUROPE

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Abstract

This paper outlines evolutions in the underlying logic of corporatist policymaking in Western Europe. Starting from the discrepancy between the observable decline in the power of organised labour on the one hand, and the persistence of corporatist concertation as a mode of policymaking on the other, the paper outlines the remaining incentives for governments to involve trade unions and employers in policymaking. The paper shifts the focus from the traditional structural explanations of corporatist policymaking to political explanations emphasising political support, compliance and knowledge. The paper then outlines a few elements regarding the relationship between political and partisan configurations on corporatism.

Keywords

Neo-Corporatism, Trade Unions, Employers, Policy-making, Parties.

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Max Weber Fellow, 2010-2011

Introduction

This paper provides a comprehensive presentation of the logic and form of tripartite concertation, or the institutionalised cooperation patterns between governments, employers and trade unions, in policymaking in Europe. First, I present the links between the mostly *structural* analyses of socio-economic governance proposed by the literature on neo-corporatism and Varieties of Capitalism, and the focus on *processes* of policymaking (concertation) applied here. I briefly outline patterns of variation in corporatist structures across countries and across time, notably by using composite indicators of corporatism and wage coordination. Then, I operationalise this latter element through a series of dimensions: rationales for the involvement of social partners in policymaking, forms and extent of this involvement, patterns of conflict and consensus, and relations between corporatist and parliamentary arenas. The main objective of this operationalisation is to describe the potential variance of the dependent variable in analyses of corporatist policy concertation (George & Bennett 2005: 84-86).

The State and Organised Interests

Structures and Causes of Neo-Corporatism

Neo-corporatism has been traditionally defined as a system of economic governance and policymaking which combines a certain type of *structure* of organised interests in society with a certain type of *process* of standard policymaking (Kriesi 1998: 364-365; Molina & Rhodes 2002). The main characteristics of corporatist governance are the presence of a small number of hierarchically organised, encompassing, monopolistic and functionally distinct interest associations (most commonly representatives of workers and business) on the one hand, and their cooperation “with each other and with public authorities not only in the articulation and even intermediation of interests, but also in the authoritative allocation of values and the implementation of policies” on the other (Molina & Rhodes 2002: 307). Initial formulations of the concept of corporatism focused on its *structural* dimension, and were subsequently extended to its *procedural* dimension. I will now focus on the structural dimension before turning more extensively to the procedural dimension, which is the main focus of this analysis.

Primarily, the concept of corporatism accounted for the pattern of organisation of economic interests in a number of European countries, and focused on their stable, structural and institutional features. The concept was inspired by the experience of the authoritarian regimes of southern Europe under fascist rule (Italy, Spain, Portugal), where economic interests were tightly organised and structured by the state. Stripped out of its authoritarian component, the idea of neo-corporatism as outlined by Schmitter’s (1974) path-breaking work aimed at describing the way private interests were organised and interacted with the political sphere within many – mainly West European – political systems. Schmitter’s conception of corporatism essentially focused on the structural features of civil society, most notably on the side of both labour and capital:

Corporatism can be defined as a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports (Schmitter 1974: 13).

This approach contrasted sharply with dominant approaches of the policy process at the time, most notably pluralism (Held 1996: 202). Rather than the fragmented, uncoordinated competition between various groups seeking influence over the political process outlined by the pluralist model (developed primarily in the US context), centralisation, structure, coordination and hierarchy were central characteristics of the organisation of economic interests in Europe. Most importantly, whereas the pluralist model tended to downplay the issue of power by describing political competition as an open

process (Parsons 1995: 134), corporatism emphasised the closure and high entry costs of decision-making that favoured a limited number of interests over others.

In a functionalist perspective, these features served specific purposes with regard to economic governance. At the system-level, corporatist structures responded to the transformations of advanced economies where the accumulation of wealth and power induced oligarchic tendencies (Held 1996: 226). Thus, corporatism was assumed to be a “functional necessity” of advanced societies (Baccaro & Simoni 2008: 1324). Centralisation and hierarchy were central characteristics in order to foster cooperation amongst labour and capital, especially in the domain of wage bargaining. On the one hand, a small number of centralised organisations (ideally one on each side) are faced with lower transaction costs than a great number of competing organisations, where risks of leap-frogging (each organisation asks a little more than the others) persist¹. Hierarchy, for its part, ensures some degree of control over different levels within the organisation, for instance to avoid plant-level branches not complying with agreements negotiated at higher levels and therefore avoid wage drift (Baccaro 2003: 685-686)². Most importantly, corporatism appeared as a coherent structure to manage supply and demand within a Keynesian framework, where wage moderation within a system of centralised wage bargaining could be compensated by expansive fiscal and monetary policies in a context of still limited capital mobility. This was the main rationale underpinning macro-corporatism as a tool for demand management.

Beyond “functional” accounts of the emergence of corporatism, other approaches have argued that the functional logic behind the emergence of corporatist structures had to be sustained by historical and institutional factors that varied across countries (Crouch 1993; Kriesi 1998: 380). The structuring role of the state and its propensity to “share public space”, notably as a result of respective patterns of separation from the Church, was considered central. Countries where the state radically parted from the Church (such as France) showed less propensity to live and cooperate with organised interests than countries where this separation was less pronounced, and where the state was more used to share authority, or share “public space” (Crouch 1993)³. Alliance patterns between societal segments (aristocracy, agricultural class, bourgeoisie) also played a role by favouring or hindering a repressive stance towards the organisation of labour (Moore 1966). This notably explains why corporatist networks have emerged in some countries and not in others.

As a whole, the concept of neo-corporatism became increasingly popular as a focus of research throughout the 1970s and 1980s (Cawson 1985, 1986; Lehmbruch & Schmitter 1982; Schmitter 1982; Streeck & Schmitter 1985), so that it came to be considered as an “overarching and coherent method for understanding the working of economies and societies” (Held 1996: 227; Molina & Rhodes 2002: 307). In many respects, its analytical value became flawed by inconsistent applications, and it was the subject of extensive “concept stretching” (Sartori 1970). It then lost its appeal as an object of analysis at the end of the 1980s and 1990s, along with the perceived erosion of corporatist structures due to the

¹ Besides, organisations, and especially unions, that are encompassing can overcome the problems of free-riding outlined by Olson (1965; 1982) to the extent that they can internalise the effects of their wage settlements.

² The rationale behind the organisation of individual workers and individual companies in overarching organisations for the articulation of their interests can be manifold. At the individual level, collective action is a way to achieve goals that cannot be achieved through individual action, pool resources and therefore reduce costs when interacting with the other side. This is especially important on the side of labour because of the asymmetry inherent to any employment relationship (Gunnigle et al. 2004: 125, 162).

³ An interesting mechanism that relates to state weakness can be found in the Swiss case. A reason often put forward for the involvement of organised interests in policymaking in the Swiss context was the lack of organisational resources of the federal state, that had to face a great deal of opposition from both cantons reluctant to delegate their powers, as well as very strong bourgeois political forces definitely opposed to the expansion of state interventionism (Mach 2006). Hence, instead of dramatically expanding the state apparatus to assume public tasks, a wide array of quasi-public tasks (management of educational systems, gathering of statistics, the management of earlier schemes of social protection such as unemployment insurance) were handed to organized interests in the form of federal subventions. The expertise and knowledge of social partners, that was believed to be greater in many respects than that of the nascent federal state, would form the cognitive basis for the expansion of state interventionism, most importantly in the social domain.

disappearance of Keynesian policies of demand management, European integration as a vector of liberalisation of markets (Streeck 1993), the collapse of centralised wage bargaining in one of the flagships of corporatism, Sweden (Pontusson & Swenson 1996), or the steady decline of union membership caused by de-industrialisation in nearly all Western European countries⁴ (Visser 2006, 2009).

From Neo-Corporatism to the Varieties of Capitalism

At the end of the 1990s, however, patterns of collective organisation of labour and capital underwent a revival with the Varieties of Capitalism (VoC) approach (Hall & Soskice 2001; Kitschelt et al. 1999). VoC theory showed a renewed interest in organised interests, particularly on the side of employers, in the functioning of capitalism, and more precisely in the non-market, cooperative arrangements which underpinned the functioning of capitalism. In many respects, the VoC literature drew heavily upon earlier concepts of corporatism, but with a somewhat different focus (emphasis on the firm as the central actor rather than trade unions and the state) and a more encompassing scope of analysis. Whereas neo-corporatism was primarily concerned with the intermediation of interests of labour and capital with the state in macro-economic coordination (inflation, wages, monetary policy) the VoC approach was primarily interested in inter-firm relations (cooperation vs. competition) across different spheres of the economy (corporate governance, wage bargaining, skill regimes, welfare state arrangements) and the “institutional complementarities” between these different spheres in ensuring competitiveness in the global economy (Hall & Gingerich 2009).

At the empirical level, there is a strong overlap between characteristics emphasised by the earlier literature on corporatist countries and those of coordinated market economies (CMEs). This term is used by the VoC approach to characterise the countries of Western Europe where socioeconomic governance relies more upon non-market coordination and cooperation (Germany, Switzerland, Austria, the Netherlands, Sweden, Denmark, Norway) rather than arms-length competition, which prevails in Liberal Market Economies (the USA, the United Kingdom, Ireland). Similarly, the historical factors identified to explain the emergence of corporatist structures in the earlier literature have been fairly similar to those explaining the construction of Coordinated Market Economies (CMEs). All countries previously considered corporatist are part of the group of CMEs, whereas Liberal Market Economies (LME) are assumed to possess rather pluralist, weakly structured systems of interest representation. As will be discussed, however, a country generally considered as an LME, Ireland, has also developed structures of interest intermediation rather typical of corporatist countries since the 1980s (Hardiman 2002).

Most interestingly, with respect to the claim made up to then that European countries were all converging towards more state-centred and pluralist patterns of interest intermediation, one of the main claims of the VoC literature was that diversity in capitalist arrangements persisted because different institutional arrangements across countries produced different comparative advantages on world markets, and were partly self-reinforcing. Different coherent arrangements of wage bargaining, skill production and social protection regimes, which are also most of the time managed jointly with organised interests, also allow to produce different kinds of products: German high-skilled specialised industrial production is only made possible via cooperative behaviour amongst employers and unions in the maintenance of a solid vocational training system producing specific skills, whereas highly innovative software products in the Silicon Valley emerged thanks to the availability of fluid capital on stock markets in the USA, an LME, by contrast to more risk-averse banks in CMEs. Even though one of the assumptions in the literature is that there is some convergence of CMEs towards the liberal road, diversity in socio-economic arrangements is far from having disappeared; the observable trend is

⁴ Between, 1970 and 2003, average trade union density (the adjusted share of trade union members as a proportion of the workforce) had declined by 11.5% in the countries of the European Union, and by 27.3% (for the ÖGB, notwithstanding compulsory membership in the Arbeiterkammer) in another “flagship” of corporatist governance like Austria (Visser 2006: 45). The only countries who have not experienced such a decline in union density seem to be those who have a Ghent system, where entitlement to unemployment benefits is linked to union membership.

rather one of “divergent convergence”. This is also true within the cluster of CMEs/corporatist countries of Western Europe.

Diversity and Change in Corporatist Arrangements

Coordinated/corporatist Western political economies have differed both as to the degree of institutionalisation of their structures of coordination on the one hand (as measured by the degree of coordination of wage bargaining, business and trade union centralisation, constitutional rights of consultation by organised interests), and their underlying power relationships between business and labour (as measured by unionisation rates, votes for social-democratic parties, centralisation of business) on the other. It is important to differentiate those two dimensions because corporatism has often been equated with *social* corporatism, or institutionalised labour power (Pekkarinen et al. 1992). It is true that the ideal-typical corporatist economies (Sweden, Norway, Austria) have been characterised by traditionally strong labour movements, but the conflation of those two terms may also make more difficult the classification of countries where structured organised interests have played a central role in economic coordination, but where labour was weak. This has notably been the case in countries such as Switzerland or Japan (Blaas 1992; Siaroff 1999: 183-187). In the face of the declining power of labour over the last decades, this distinction is also important to understand the persistence of corporatist policymaking in the recent period.

Siaroff (1999: 177ff.) has listed 21 ideal-typical features of corporatism present in the literature that could be used as indicators of the degree of corporatism of political economies in different national contexts:

Table 1: Ideal-typical features of corporatist political economies

1. a high degree of unionisation, especially amongst blue-collar workers;
2. relatively few unions grouped into highly institutionalised peak confederations which have the key role in wage bargaining, with ideally only one confederation for blue-collar workers; conversely, a low degree of autonomy for shop stewards and plant unions – in short a high ‘organizational power of labour’;
3. a business community dominated by large export-oriented firms, with a relatively powerful and centralised employer’s federation [...]
4. highly centralised wage bargaining, with national or a few key branch-level agreements (e.g., that of the metalworkers) setting the basis for the entire economy;
5. works councils in the main industrial firms and co-determination in key industries;
6. a centralised, powerful, and active state involved at least moderately in the economy;
7. a central – and joint – role for labour and business in such policies as training, education, and social programmes, often implemented through tripartite boards or agencies;
8. the institutionalised input of business and labour in the government policy process, including the drawing up of the budget;
9. a strong economic and social consensus shared by business, labour, and the state;
10. recognition by business and labour of being joint ‘social partners’, and resulting patterns of co-operation and coalescence;
11. a long-term outlook held by both business and labour;
12. low levels of strike activity;
13. voluntary and/or bargained incomes policies rather than state-imposed ones;
14. independence of internal decision-making of the key actors;

15. a small open economy;
16. which has benefitted from the free trade provided by the post-World War Two hegemony of the United States [...];
17. a consensual or even consociational political tradition, rather than a 'majoritarian' one;
18. a long-term political role or even dominance of a united social democratic party, thus producing a leftist political 'substructure';
19. with a resulting high level of expenditures on social programmes;
20. generally successful economic performance, especially regarding productivity, export competitiveness, and the maintenance of full employment;
21. often because their success thus 'exports' unemployment elsewhere, to international economic stabilisers like the (non-corporatist!) United States and the United Kingdom.

Source: Siaroff (1999: 177-179)

The occurrence of these different characteristics has varied across countries, some of them being more corporatist in some dimensions than in others. Austria, Norway or Sweden have gathered almost all of them, with their quasi-monopolistic system of interest representation, the constitutional obligation to consult organised interests for any matter of public policy, and nearly full coverage of collective bargaining. Switzerland or the Netherlands have displayed somewhat looser arrangements. Social partners were usually consulted in policymaking, but organisations, particularly on the side of labour, have been somewhat more fragmented and less centralised⁵. If one looks at available composite indicators emphasising structural components of corporatism (see Kenworthy 2003), Sweden, Norway and Austria appear as the most corporatist, whereas Germany, Belgium, the Netherlands and Switzerland show a somewhat lesser degree of institutionalisation, with Ireland appearing as weakly corporatist, but becoming more corporatist from the 1980s onwards.

Table 2: Hicks/Kenworthy Index of Corporatism, 1960s-1990s (decade averages)

	1960s	1970s	1980s	1990s
Sweden	0.99	0.99	0.96	0.81
Norway	0.99	0.98	0.95	0.92
Austria	0.96	0.96	0.96	0.96
Germany	0.84	0.84	0.77	0.76
Denmark	0.83	0.80	0.69	0.61
Belgium	0.80	0.73	0.66	0.66
Netherlands	0.74	0.68	0.54	0.53
Switzerland	0.55	0.55	0.55	0.55
Ireland	0.18	0.12	0.06	0.11
Average	0.76	0.74	0.68	0.66

Source: LaneKenworthy.net, (Kenworthy 2003)⁶ Scale: 1: totally corporatist; 0: not corporatist

⁵ In some dimensions, differences in structures can be huge. For instance the central secretariat of the Swiss *Arbeitgeberverband* (the main Swiss employer organisation) had 13 permanent staff in 2009, whereas the *Wirtschaftskammer Österreich*, the main Austrian employer body had 4615 permanent staff in 2003 (Traxler 2010: 153). This, however, hides the fact that the bulk of the staff of Swiss employer associations are employed by sectoral branches, the only ones entitled to engage in collective bargaining.

⁶ For details on the construction of the index, as well as a discussion of quantitative indicators of corporatism see Kenworthy (2003: 43). For an alternative measure focusing more on the procedural rather than structural dimension, see Siaroff (1999).

Most countries have remained relatively stable in their positioning vis-à-vis one another, however with an observable downward trend, especially in Sweden, Denmark, Belgium and the Netherlands (Table 2).

Another indicator of corporatism widely used in the literature is the degree of coordination of collective bargaining. A screening of developments in this domain in Europe shows interesting trends across countries and across time that partly diverge from those shown by composite indicators. They contribute to blur the general picture of the evolutions of corporatism over the last two decades. Hence, previously highly centralised systems of wage bargaining as in Sweden and Denmark have undergone an important decentralisation trend, whereas a country considered weakly corporatist like Ireland has gone from an uncoordinated system of wage bargaining in the 1960s to a fully centralised system from the mid-1980s onwards. Moderately coordinated countries, such as Switzerland and the Netherlands, have remained relatively stable with a slighter “organised decentralisation” trend.

Table 3: Wage bargaining coordination, 1965-2005⁷

	1965	1975	1985	1995	2005
Austria	5	5	4	4	4
Belgium	4	4	5	5	5
Germany	4	4	4	4	4
Denmark	5	5	5	3	3
Ireland	1	4	1	5	5
Netherlands	4	4	4	4	4
Norway	4	4	3	5	4
Sweden	5	5	4	3	3
Switzerland	4	4	4	4	3
Average	4	4.3	3.8	4.1	3.9

Source: Visser (2009)

In terms of power relationships, there has also been great variation across corporatist countries as to the respective strength of labour and capital as measured by unionisation rates, the centralisation and authority of trade unions, the vote share of social democratic parties, and the centralisation of business interests. Nordic Countries and Austria have traditionally displayed high degrees of unionisation, centralised labour movements and strong social democratic parties, whereas Switzerland, the Netherlands, Belgium and Germany have had somewhat weaker labour movements. In his seminal analysis of the political economy of small states, Katzenstein (1985) proposed a typology differentiating social and liberal corporatist countries along those lines⁸:

⁷ Source: Visser (2009), ICTWSS, variable WCoord: coordination of wage bargaining, partly based on Kenworthy (2003). Own calculations of decade averages. Ordinal scale 1-5 where 5:economy-wide bargaining, based on a) enforceable agreements between the central organisations of unions and employers affecting the entire economy or entire private sector, or on b) government imposition of a wage schedule, freeze, or ceiling; 4=mixed industry and economy-wide bargaining: a) central organisations negotiate non-enforceable central agreements (guidelines) and/or b) key unions and employers associations set pattern for the entire economy; 3=industry bargaining with no or irregular pattern setting, limited involvement of central organizations and limited freedoms for company bargaining; 2=mixed industry- and firm level bargaining, with weak enforceability of industry agreements; 1=none of the above, fragmented bargaining, mostly at company level.

⁸ Five main indicators were used to build this classification on the side of business, namely international production in foreign subsidiaries as a percentage of exports, direct foreign investments per employee, export per employee, total balance sheet of the largest three banks as percentage of GDP, and the associational monopoly of business (Katzenstein 1985: 106). For the strength and centralization of labour, seven indicators are considered: the percentage of unionization of the total labour force, the organizational unity of the labour movement, confederation power in collective bargaining, the scope/coverage of collective bargaining, the importance of works councils and codetermination, the percentage of social democratic vote, social democratic presence in Government (Katzenstein 1985: 106-114).

Systematic differences exist among the small European States in the relative centralisation and orientation of business and in the power and centralisation of labour (as measured by unionisation rates, Left voting, and Social Democratic incumbency). Switzerland has a particular affinity with the Netherlands and Belgium. These three countries have politically strong, internationally oriented, centralised business communities, and relatively decentralised and weak labour movements. They are liberal variants of democratic corporatism. Austria, Norway and Denmark have strong, centralized labour unions, and business communities that are politically weak, express a national orientation, and are relatively decentralised. They are social variants of democratic corporatism. Sweden mixes these two political patterns (Katzenstein 1985: 105).

Hence, Switzerland and Austria appeared as two extremes of a continuum between social and liberal variants of corporatism. Switzerland had the most centralized and most internationalized business community, as well as the most fragmented labour movement, whereas Austria had the weaker and most inward-looking business community and the most centralized and strong labour movement. Austria had been governed by social democrats for extensive periods throughout the post-war period⁹, whereas conservative political forces have constantly outnumbered the social democrats within the grand coalition that has governed Switzerland since 1959 (Kriesi & Trechsel 2008).

Table 4: Trade Union Density in Selected European Countries, 1960-2007

	1960	1970	1980	1990	2000	2006
Austria	65.8	59.6	52.1	41.7	34.4	31.7
Belgium	40.5	49.6	52.3	54.5	52.1	54.1
Denmark	58.1	68.2	77.9	76.2	71.8	69.4
Germany	33.1	33.8	34.2	29.8	22.4	20.7
Ireland	53.7	61.2	60.3	51.9	38.6	35.3
Netherlands	38.2	36.9	28.8	24.6	21.9	21.5
Norway	58.9	54.3	57.5	57.0	54.7	54.9
Sweden	68.6	73.4	81.2	84.0	76.9	75.0
Switzerland	33.0	30.8	27.9	22.6	20.0	19.0
Average	50.0	52.0	52.5	49.1	43.6	42.4

Source: Visser (2009)

Table 5: Share of Parliamentary Seats held by Social Democratic parties in selected European Countries, 1960-2007 (decade averages)

	1960s	1970s	1980s	1990s	2000s
Sweden	49.0	44.9	45.7	41.5	39.4
Norway	48.0	45.5	43.6	39.5	31.5
Austria	45.8	50.7	47.8	40.1	37.0
Denmark	41.0	30.0	33.0	37.1	29.3
Germany	39.4	44.8	39.9	38.3	40.3
Belgium	34.4	28.2	30.8	28.4	27.1
Netherlands	28.5	30.0	32.7	29.0	25.4
Switzerland	26.1	25.3	23.2	23.6	25.8
Ireland	12.6	12.5	9.2	14.8	11.9
Average	36.1	34.7	34.0	32.5	29.7

Source: Armingeon et al. (2007)

⁹ The SPÖ has been in Government for a period of 52 years between 1945 and 2008; it governed alone for 13 years between 1970 and 1983, and with a minority partner until 1987. The conservative ÖVP has been in government for 46 years, but only 4 years in a single party Government (Pelinka 2008: 434).

Katzenstein’s typology of social and liberal corporatism addressed the end of the 1970s, and several things have changed since then. If, as argued above, corporatist institutions have been far from collapsing, changes in power relationships within them have fostered an increasing convergence towards the liberal end of corporatism (Traxler 2004). Somehow, the “hardware” of corporatist institutions remains, but the “software” has changed both regarding the power relationships between labour and capital, and regarding the policies which these systems produce: whereas Keynesian policies were tightly linked to corporatist macro-economic coordination, the disappearance of Keynesian demand management also caused a reorientation in the focus of corporatist policies to supply-side policies (labour market, welfare policies and wage moderation) (Hassel 2003; Traxler 2001a). Changes in underlying power relationships can notably be observed in the evolution of trade union density rates, or the share of seats held by social-democratic parties in Parliament (Figure below). The decline in trade union density is probably the more conspicuous indicator of a “demise” of labour power, especially in countries like Austria. As a result of electoral de-alignment, the electoral power of social democratic parties, the traditional allies of trade unions, has also been considerably shaken in countries like Austria and Norway¹⁰. On the side of business, however, a relative stability in organisational forms has persisted, Western business interest associations having remained relatively “immune to the forces of socio-economic change” (Traxler 2010: 152).

After outlining the structural changes in corporatism over the last decades, in the next section I deal extensively with the second dimension of corporatism, concertation, and the links it may entertain with these changing underlying structures of corporatism.

Table 6: Dimensions of Tripartite Concertation

<p>1. Rationale for interest group involvement</p> <ul style="list-style-type: none"> - Political Support - Compliance - Knowledge and Learning 	<p>2. Scope of interest group involvement (“Konzertierung”)</p> <ul style="list-style-type: none"> - Unilateral decision-making - Consultation - Tripartite Concertation - Complementary legislation
<p>3. Degree of consensus between social partners</p> <ul style="list-style-type: none"> - Compromise between all actors (“Akkordierung”) - Support by one of the social partners - Opposition by both social partners 	<p>4. Parliamentary support</p> <ul style="list-style-type: none"> - Full adhesion “rubber-stamping” - Slight modifications - Substantial modifications - Veto

Logic and Form of Policy Concertation

Although the conceptual links between both elements have been rarely outlined explicitly, the *structural-economic* constitutive elements of corporatism (wage bargaining coverage and coordination, high unionisation rates, etc.) were functionally related to its *procedural-political* dimension, namely the interaction patterns between the state and organised interests. This second dimension was present in the early neo-corporatist literature, notably in the work of Lehbruch (1979; 1984) but mostly vanished from the VoC approach, mainly due to its focus on the firm and its

¹⁰ Even if Christian Democrats could also occasionally coalesce with trade unions in some countries (Kersbergen 1995), Social Democrats themselves have progressively also often lost their willingness to engage with trade unions in policymaking: the strong correlation between social democratic dominance in governments and participation of organised interests that characterised the 1970s disappeared in the 1980s (Traxler 2010: 156).

downplaying of the state as a central economic actor (Schmidt 2008). Tripartite concertation is the main focus of the present piece of research and, as such, I will try to operationalise it to a greater extent than the broad concept of corporatism. Four dimensions are tackled here, namely the *rationale for interest group involvement* by governments, the *scope of interest group involvement*, the *degree of consensus* between social partners, and *parliamentary support* (Table 3). The two core dimensions' scope and degree of consensus will be used as the two dimensions of a typology of concertation processes that will be used for the empirical analysis.

In the ideal-type corporatist system, the “intermediary” sector of organised private interests (trade unions and employers) constitutes a channel for the conversion of “particularistic” interest into “political”, general interests. This process plays a central role alongside the traditional political process involving governments, political parties and parliaments. As already argued, Rokkan (1966) and Lehbruch (1979) were the first to emphasise the particular way whereby public policies were formulated in those very same corporatist political economies analysed by Schmitter, through close collaboration between organised interests and the state in the different phases of the policy process, and via a complex set of institutions and networks providing input for organised interests. Hence, rather than a structural pattern of interest organisation, Lehbruch emphasised corporatism as a form of political process where the state closely cooperated with organised interests in the production and implementation of public policies:

Corporatism is more than a particular pattern of articulation of interests. Rather, it is an institutionalised pattern of policy formation in which large interest organisations cooperate with each other and with public authorities not only in the articulation (or “intermediation”) of interests, but – in its developed forms – in the “authoritative allocation of values and in the implementation of such policies (Lehbruch 1979: 150).

Later on, a differentiation was made between *corporatism* as a structure of organised interests and *concertation* as a mode of making policy (Schmitter 1982). More precisely, the second dimension involves

Government representatives and representatives of peak employer and/or trade union organisations about the formation of government policy in areas including fiscal policy, monetary policy, industrial policy, trade policy, labour market policy, employment law, social welfare and regional policy (Compston 2002: 2).

Similarly, concertation can be understood as a process whereby Governments

share their policymaking prerogatives with trade unions and employer associations, not just informally by incorporating their inputs but also formally by setting up a bargaining table and engaging in negotiations with them over public policy (Baccaro & Simoni 2008: 1)

The structural and procedural dimensions of corporatism entertained a functional link, in the sense that corporatist structures (a centralised and hierarchical system of interest intermediation, high levels of unionisation) were considered a precondition for tripartite concertation. On the one hand, a structured and centralised system of interest intermediation was linked to concertation procedures because governments would not engage in joint solutions when trade unions or employer organisations are organisationally too weak to be credible negotiating partners (Avdagic 2008: 7). Hence, the vertical (elites/rank-and-file) and the horizontal (elites/elites) dimensions were tightly interrelated. There is an interest in participating in corporatist political exchange only if the other actors involved are organised in a way that ensures compliance with regard to the agreements negotiated at peak level. Hence, Government and employers would engage in negotiations with trade unions only if these trade unions would be credible representatives of the workforce (as measured by their amount of members), and if they would be able to make their members accept and comply with what union leaders have agreed upon at peak level. Here, credibility is based on the control that peak associations exert on their constituent units or on the portion of the workforce they are supposed to represent. On the other hand – although the link may be less explicit here – the attractiveness of trade unions or employer

associations in recruiting new members also depends on their ability to represent the interests of their constituencies towards the government, that is, to achieve outcomes in terms of policies.

By contrast to corporatist structures, especially with regard to the collective organisation of labour, concertation is not declining. As a whole, the emergence or re-emergence of tripartite concertation in its diverse forms – most notably social pacts – during the 1990s even in countries, such as Ireland, Spain or Italy, where corporatist institutions have been traditionally weak, has questioned the link between the underlying structures of corporatism and tripartite concertation. Hence, labour power has declined, and centralised wage bargaining may have collapsed in some countries, but concertation over public policies is far from declining, as shown by recent research on the willingness of Governments to engage in concerted reforms with trade unions and employers. For incomes policies, Baccaro and Simoni (2008: 1327) show that in 1977, 83% of European governments were willing to pursue concerted wage policies, then this share dropped to 47% in 1985, but this percentage peaked again at 77% in 2003. For welfare policies, a steady upward trend is observable, from under 50% in the 1970s to about 80% in 2000. Set against a general downward trend of corporatist structures in most countries, the persistence or even increase in tripartite concertation is somewhat of a puzzle. One argument recently put forward by Traxler (2010: 152) is that the stability of business organisations mentioned above may be what sustains corporatist policymaking. Another argument that will be investigated in more depth is that the structures and procedures of corporatism may have become partly *unrelated*; structures may be dying, but corporatist procedures are still alive because their rationale has changed (Baccaro 2003). Concertation is then understood essentially as yet another tool in the repertoire of national governments to bring about policy change and build societal compromises. Organised interests are no longer only involved in policymaking because of their organisational power in the economic sphere, but possibly because of the legitimacy, political support and expertise they may provide to policies, and, most importantly, because they can still represent a potential of political mobilisation outside the economic sphere.

The Political Logic of Concertation

In recent literature, *policy* concertation or *tripartite* concertation are the terms generally used to designate corporatism as a policymaking procedure (Baccaro & Simoni 2008; Berger & Compston 2002; Regini 2003). Concertation can be understood as a way the state “shares public space” with organised interests by giving them a power of co-decision in the production of binding decisions (Crouch 1986; Ebbinghaus 2005). The “share” of the different actors may vary, and the degrees and forms in which policy concertation takes place varies across time and countries¹¹. In any case, the pivotal actor in this process is the government. It is primarily the government, as the sole actor with a clear democratic mandate to make binding public decisions, that decides to involve the social partners in policymaking or not. The government can choose to opt for policy concertation or alternatively opt for legislative procedures that exclude unions and employers. This choice is not available to the other actors (Baccaro & Simoni 2008: 1324; Hamann & Kelly 2007: 974).

Why do governments choose this kind of procedure rather than unilateral policymaking? Even though the question is rarely explicitly stated, there seems to be a consensus in the literature on the idea that

¹¹ Most importantly, it is possible to differentiate here between policy concertation as a negotiated solution within a particular policy area and at a specific point in time, and policy concertation as a durable and institutionalised way of processing policy, with its specific institutional framework (expert groups, statutory rights given to organised interests, compulsory consultation when elaborating policy, interlinks between social partners and political parties). Austria is certainly the most advanced system when it comes to this institutional side, with its system of compulsory membership in the Kammer (*Wirtschaftskammer* and *Arbeiterkammer*), compulsory consultation of social partners through the *Begutachtungsverfahren* and the strong links between trade unions and the social democratic party on the one hand, and the ÖVP and the *Wirtschaftskammer* on the other hand. In this piece of research, as will be argued below, I am more interested in the first dimension, which is more susceptible to change over time and across issues. Policy concertation is essentially considered as a matter of agency rather than a matter of structure, that is, whose instances can emerge, fade out and re-emerge over time, and vary across policy sectors (Baccaro & Lim 2007; Baccaro & Simoni 2008; Baccaro 2003, 2007).

the lack of autonomy of the state with regard to political resources, expertise or legitimacy is the primary reason for engaging in concertation. Concertation emerges primarily from governmental *weakness*. This mechanism not only applies to explain long-term historical developments of state-society relations (corporatism has emerged in weak states), but also the cyclical resort to concertation across time and policy areas. Hence, corporatist policymaking happens when governments are weak or weakened:

When the state shares public space, it usually lacks the legitimacy, competencies, and implementation capacity to single-handedly carry out desired reforms of social and employment policy. Therefore, formal or informal forums for tripartite social dialogue between the government and the social partners facilitate their developing a shared understanding of the problems, as they discuss policy alternatives and their implications, and reach compromises on a common purpose (Ebbinghaus 2005: 2).

Concertation is then presented as a way to overcome specific problems where the state needs to reinforce its legitimacy, for instance to conduct reforms – pensions are a case in point here – that are susceptible to face significant opposition.

Societal consensus is crucial for effective reforms of the welfare state. In all welfare states there are many veto points and actors with the power to obstruct. A policy of imposition is likely to provoke conflicts, may retard or even reverse the process. Modernisation of the welfare state [...] requires the construction of a political will and long-term commitments, built on norms of trust and networks of civic engagement, in order to overcome the inevitable opposition of groups who will lose (Visser & Hemerijck 1997: 182).

Resorting to policy concertation appears as a response to a situation of dependence which can take place in different domains: political, organisational or cognitive, these different elements being understood as different rationales for concertation. In the following section, I try to outline these different – and interlinked – rationales and provide some examples.

Political support

The relation between the political and the corporatist arena has often been analysed in terms of the partisan-political configurations that favour policy concertation. Hence, a precondition often put forward in the literature is the presence of social democratic parties in government (Alvarez et al. 1991; Hicks 1999). Left parties were thought to be especially well-positioned to ensure the cooperation of labour organizations (for whom coordination is the most difficult) because of their traditionally strong ties, that fostered *credible commitments*. Trade unions could afford to deliver wage moderation in exchange for compensations in other domains because they were dealing with partners they could trust. Right-wing parties, for their part, were supposed to be closer to employer interests. In a context of strong party-union ties and class identity, this argument was particularly convincing. However, these ties have become looser in many countries, and this relation between social democratic incumbency and policy concertation is therefore probably no longer as pertinent as before (Kitschelt 1994). This is especially striking if one considers two highly praised “corporatist successes” in Europe in the 1990s, Ireland and the Netherlands, where social democracy does not really exist as a political force (in Ireland) or has often assumed a rather subordinate position (in the Netherlands).

Independently of the “colour” of the governing coalition, governments may resort to policy concertation in times when they lack political support or legitimacy to pass on laws on their own. What is sought in this process is essentially *consent*: backing and legitimacy in contexts where social partners enjoy a certain veto power:

Governments are especially disposed towards policy concertation when they are too weak to pass reform on their own; when a unilateral strategy risks provoking an electoral backlash from which the opposition is likely to benefit; when the government is unable to depoliticize the issue through

the construction of a grand coalition involving the opposition; and when there is no better way to overcome trade unions' veto power (Baccaro & Lim 2007: 42).

Governments are willing to share their policymaking prerogatives with the social actors when they are politically weak, either because they lack strong and united parliamentary majorities or because they are otherwise marred by internal struggles and legitimacy crises. In these circumstances, associating trade unions to policy formation can be expedient for governments, as it allows them to activate supplementary channels of consensus mobilization (Baccaro & Simoni 2008: 20).

Social dialogue seems to be more stable in countries with weaker, but still effective, labour movements. Unions often adopt national social pacts out of a generalised feeling of weakness, in the belief that there are no alternatives and because of the decline of their national power resources. Lodewijk de Waal, the president of the Dutch union confederation FNV has stated that an increase in union membership above 35 percent of the workforce would not be good for the Dutch model of social dialogue because its success relies on the common feeling of powerlessness that is shared by all three parties: the state, capital and labour. All parties should have roughly equal power because this discourages any unilateral action by the most powerful players. Conversely, all actors involved feel the need to cooperate. It follows that social pacts, as with other systems based on cooperation, reflect a situation in which the costs of conflict are higher than the costs of cooperation (Erne 2008: 51-52)¹².

The argument that corporatist policy concertation is caused by the lack of autonomy of the state towards society is not new. As already mentioned, Crouch (1993) notably showed how weakly autonomous states were more prone to "share public space". Similarly, one of the arguments most often put forward to explain the involvement of social partners in policymaking in Switzerland is the existence of direct democracy, which can be understood as a factor of low autonomy vis-à-vis societal interests¹³.

Hamann and Kelly (2007) provide interesting arguments to understand the re-emergence of social pacts in Europe in the 1990s by focusing on electoral competition and partisan factors, whereas most existing explanations so far focused on economic or institutional factors, notably the economic and financial constraints set by the European and Monetary Union (EMU) (Fajertag & Pochet 2000; Hancke & Rhodes 2005; Hassel 2003: 711). They argue that social pacts, and policy concertation in general, are used to improve the legitimacy of policies and those who propose them and therefore avoid the electoral consequences of unpopular reforms:

pacts can lend legitimacy to unpopular policies – and perhaps the government – by inclusion of the social partners, thus broadening the support coalition. This can also apply to minority governments or weak governments seeking support for their policies outside of parliament [...] Reaching out to the social partners demonstrates a willingness to be inclusive and to engage in compromise, which may help parties' electoral ambitions (Hamann & Kelly 2007: 975).

Maybe more importantly, they argue that the need for governments to reinforce their legitimacy has been coupled with the changing characteristics of partisanship and electoral behaviour over the last decades, that is, the growth of electoral volatility and party competition. They point out that social pacts emerged at about the same period as shifts in electoral behaviour occurred in Western Europe. Up to the 70s, parties competing for office could rely upon a relatively stable share of core voters that

¹² However, it seems reasonable to think that the State possesses by default more power than the other actors because, as far as public policymaking is concerned, it is the only actor that can "go alone" in making binding policies for the whole of society.

¹³ Following the classical argument put forward by Neidhart (1970), this creates strong incentives for the government to involve those *Referendumsfähig* groups, most importantly organised interests of labour and capital, in the elaboration of policies at the very beginning of the political process.

would support their policies. Since then, due to a number of factors ranging from changing demographics, increasing education levels, the increasing role of the media or the blurring of traditional class lines, this no longer seems to be the case. Partisan identification has declined almost everywhere in Europe, and voters may now shift their vote from parties to others, depending on issues, circumstances or the personality of political leaders. Concretely, this means that Governments constantly have to justify themselves to gain legitimacy through the policy results they obtain rather than through the mandate they represent (shift from input to output legitimacy) (Kriesi et al. 2007). This increased instability of support, so the argument goes, can be compensated to some extent by resorting to policy concertation. Another consequence of increasing electoral volatility is the emergence of new parties and increased electoral competition. This general trend tends to increase the fragmentation of party systems, which in turn increases incentives to seek support outside of parliament, since majorities become harder to find. The emergence of right-wing populist parties in many European countries is a case in point here. In the face of increased competition from political challengers, parties in office will seek to increase their support coalition by trying to make alliances with organised interests. As will be shown, this factor will play an important role.

Compliance

Compliance was one of the primary rationales of corporatist interest intermediation. Here, what is sought is the fulfilment of specific economic objectives or the “correct” implementation of public policies. The view is rather functionalist in the sense that the main aim of concertation is to solve problems rather than build purely political support. Concertation is sought when the state needs the social partners to carry out specific goals at the level of implementation of public policies, or in domains where its command-and-control powers are limited. It is the need to make sure that economic or social policy objectives will be carried out effectively that prompts governments to involve them in the decision-making phase. Concertation, for instance through social pacts, appears as an alternative to disengagement in matters that remain provinces of private arrangements. A good example here is wage moderation, in which the fulfilment of certain goals in economic policy are dependent upon the compliance with guidelines of trade unions in sectoral or plant-level bargaining with employers, in order to avoid “wage drift” (when wages negotiated at plant-level by local unions do not follow agreements made at peak-level). In most European countries, the state does not intervene directly in wage setting outside the public sector – apart from minimum wages – but may nevertheless have specific policy preferences to keep inflation low and employment up, and concertation is a way to coordinate multiple bargaining arenas, such as employment policies and collective bargaining (Ebbinghaus & Hassel 2000). The state may act as a mediator in collective bargaining, thereby keeping a grip on economic outcomes mainly determined by social partner negotiations. It is in this case that the traditional structure/process nexus outlined above has its greatest explanatory power.

Also with regard to “regular” public policies (e.g. unemployment policy, safety and health regulations on the workplace, taxation policy) social partners often appear as central actors in the domain of implementation, and it is important to consult them in the elaboration of public policies to be able to carry them out effectively. As implementation research has shown, the command-and-control powers of the government with regard to private actors or even its own bureaucratic units is limited. Non-compliance with public policies is relatively easy (Pressman & Wildavsky 1973). Sanctions and monitoring are generally costly, and it is easier to make sure that actors do agree and accept policies beforehand. The best way to build trust and ensure compliance is to involve potential veto players and stakeholders in the decisions that concern them. For instance, regulations regarding safety at work apply both to companies and workers, and regulations that would be considered inapplicable by trade unions and employer associations – as representatives of the main recipients of those policies – stand little chance of yielding probing results. By elaborating legislation jointly with social partners, one ensures that policy recipients will actually comply with them.

Knowledge

Finally, states can engage in corporatist policy concertation because of their *cognitive/informational* dependence towards social partners. In many issues, as argued above, trade unions and employers associations are the primary sources of information regarding the concerns of workers, on problems arising on the labour market, or problems arising in the implementation of specific public policies. They own specific types of knowledge that are of great value for policymakers: information about the preferences of their members, but also a source of ideas for policy innovations (Culpepper 2002: 778). According to Culpepper, corporatist institutions appear as important learning devices to develop shared understandings through an “informational logic”. Here, what is sought by resorting to policy concertation is rather knowledge than acquiescence:

Unlike in neo-corporatist bargaining over incomes policies, states negotiate with the social partners not primarily to secure their acquiescence, but instead to enlist their active assistance in designing and mobilizing support for substantial reforms of public policy. State policymakers lack the combination of technical, relational, and local information necessary to design successful blueprints for reform, and so they are dependent on the social partners to acquire this information (Culpepper 2002: 774).

Culpepper (2002; 2008) argues that by contrast to the classical idea of corporatism as a process of exchange of mutual strategic concessions, contemporary policy concertation is rather characterised by an exchange of learning and information. Drawing upon work on the role of ideas and learning in policies (Hall 1993; Heclo 1974), he argues that policy concertation allows overcoming the uncertainty that characterised contemporary social problems because social partners

are the most useful interlocutors for governments, combine capacities for information circulation and problem-solving. These groups can identify collective problems in light of the common experience of members, and organizations frame those problems based on superior information about the problems faced by each individual (Culpepper 2002: 775).

In this framework, the “cognitive resources” possessed by social partner organisation appear as determining factors in the success or failure of policy reforms. Culpepper supports his argument with examples drawn from pension reform in France and Italy. Whereas specific internal procedures allowing for internal discussion and legitimacy allowed Italian unions to reach an agreement on pension reform with the government, the fragmentation and confrontational structures of French trade unions failed to deliver such policy output in terms of deliberation and learning (Culpepper 2002: 782). If the “learning capacity” of corporatist institutions remain difficult to assess and compare, there is no doubt that ideas, learning and representations of social reality do play a role in the involvement of social partners in policy and their capacity to reach agreements on policy reforms because definitions of actors’ “interests” can always be subjected to change. For instance, the Dutch Wasenaar agreement of 1982 came about because trade unions also shifted to a “supply-side” view of the deep problems that the Netherlands were facing at the time (Hemerijck 2003: 54). In order to attract investment, create more jobs and reduce unemployment, the profitability of companies had to be increased as well. This, to say the least, was hardly imaginable in the “standard” view of labour interests at the time, and was the result of a dramatic change in the conception of one’s own interests.

Once the main *rationales* for policy concertation are presented, it may be useful to outline its different *forms*. For the purpose of the present analysis, I propose to operationalise policy concertation through 2 main dimensions, namely (1) the scope of social partner participation in policymaking and (2) the extent to which trade unions, employers and state are able to agree on a common solution.

Scope of Social Partner Involvement in Policymaking

In an attempt to outline a typology of interest group involvement in social policymaking, Falkner et. al (2005: 235; Falkner & Leiber 2004) provide some insights as to the form policy concertation can take with regard to the participation of organised interests. The typology they propose depends on the level

of autonomy of the state vis-à-vis private interests, from total autonomy of the state to total autonomy of private interests in decision-making. This last instance (called autonomous corporatism), however, can be left aside since it does not concern public policy as such. In the context of this research, I am only interested in instances in which there is some public regulation. It must be mentioned that in a similar attempt, Ebbinghaus (2005: 6) provides a slightly different typology and elaborates somewhat further on this by outlining the different functions of these modes, the role of the different actors therein, the threats that can be mobilised, their assumed advantages and drawbacks. Here, I will draw upon the typology of Falkner et al. and try to expand its characteristics a little further.

Unilateral decision-making

Unilateral decision-making is a form of policymaking where social partners are absent or not heard, and the state enjoys full autonomy in decision-making. This designates instances where the government implements a reform on its own, without any sort of consultation or participation of social partners whatsoever. This can be for instance due to a fundamental a priori disagreement between the government and both social partners on the issues to reform; the absence of consensus among the social partners, or regulatory constraints like those stemming from the EU, where there is no leeway for adaptation (see below). This form is usually assimilated to non-corporatist countries, that are generally believed to have a strong state, like France or Britain. Power is concentrated in the executive. However, in cases in which organised interests do play a role in implementation, for instance, this form of decision-making is less likely since it can be met by strong resistance from organised interests. Numerous examples, like the *contrat première embauche* (CPE) in France which were met by heavy mobilisation and strikes in 2005, provide evidence of this.

Consultation

Consultation is an instance of decision-making where social partners are heard but whose role is essentially reactive with regard to the proposals put forward by the government. Organised interests have the opportunity to be informed and react on state proposals, as well as propose modifications, but the decision to take those remarks into account lies only in the government or responsible ministry. The way social partners may be consulted varies to a great extent with regard to its precise channels and degree of formalisation. This can range from informal contacts between a ministry and specific organised interests on the elaboration of policy to the very formalised forms of consultation encountered in Austria (*Begutachtungsverfahren*) or Switzerland (*Vernehmlassungsverfahren*) in which any legislative proposal has to be submitted to organised interests for consultation, and whose procedures (duration, publicity of results, written form) are extremely codified and routinised. In Ireland, through a different form, the budget submissions produced by a wide variety of groups to the Ministry of Finance in the elaboration of the yearly budget can be understood as a form of consultation which supplements specific contacts ministries may have with organised interests on specific legislative proposals. In any case, a determining feature of consultation is that it does not really allow for bargaining and logrolling between participating actors in the elaboration of policies. Social partners are not able to bargain on issues amongst themselves. The state is the actor who may try to find an equilibrium between different claims.

Tripartite concertation

Tripartite concertation is the mode of corporatist policymaking *par excellence*, in which the state, employers, and trade unions jointly negotiate policy. By contrast to consultation, social partners have a direct and active role in the elaboration of policies. Whereas consultation often takes place in written form as reactions to a written proposal, concertation most commonly takes place through permanent or ad-hoc working groups, consultative bodies and other advisory committees. It gathers representatives of each side to elaborate and reflect on the opportunity to conduct policy reforms, and on the precise modalities of reform. The scope of concertation arrangements may vary considerably, ranging from specific arrangements on one specific reform within a policy sector to wide-ranging arrangements across a wide variety of issues. Whereas the routine of social policymaking in countries such as

Switzerland or Austria corresponds pretty much to the first instance, the broad “social pacts” that have been struck in recent years in a number of European countries, notably Ireland, is an example of the second (Visser 2008). Similarly, corporatist policy concertation can take place within *permanent* cross-sectoral bodies – such as the *Sociaal-Economische Raad* (SER) in the Netherlands, or the *National Economic and Social Council* in Ireland – or ad-hoc/temporary expert committees. The main difference here is the presence or not of a permanent instance where the broad, long-term directions of economic and social policy are defined by way of concertation, or if concertation only takes place on a sectoral and specific basis with regard to a specific policy or reform proposal. In the corporatist literature, this difference has been generally termed “macro” and “meso” corporatism. Maybe the most important point is that, in contrast to consultation, concertation allows room for bargaining, negotiation and logrolling. Concessions can be made within the same policy area or across policy areas in exchange for concessions from the other side in the future. Hence, corporatist arrangements often take the form of bound “packages” containing concessions from both sides. Very often in corporatist bargains, issues are used as side payments for concessions made in one specific domain as part of “package deals” involving mutual concessions. Problems in one specific domain inevitably spill over other domains, and corporatist political exchange was based on mutual concessions not only on the current issue at hand, but also *across* issues, be it associated issues simultaneously but also issues to be negotiated in the future, which implies a certain degree of trust and institutionalisation of corporatist exchanges (Hemerijck 2002).

Complementary legislation

Complementary legislation designates a mode of decision-making in which social partners negotiate, then the state legislates/implements. Two examples of such a procedure can be provided here. First, this concept applies quite well to the modalities of extension of collective labour agreements in various European countries (Traxler 2001b). Usually, social partners are the only negotiating parties in multi-employer collective labour agreements within specific sectors: they negotiate on pay, working-time, overtime pay, social provisions and the like. Once a collective labour agreement is signed by the negotiating employer associations and trade unions in the specific economic sector, the state can extend its validity beyond its signing parties providing that it satisfies a certain number of criteria that vary across countries (if it exceeds a certain percentage of companies in a given sector, or following the decision of a labour court). Hence, the state enforces and extends arrangements which have been agreed upon by social partners alone. Another instance is when social partners alone elaborate a project of policy reform on their own – for instance when the political opportunity structure was not favourable at the time – and then submit it to the government as a policy proposal. The government can then take it up – or not – and implement it as it is or with some modifications. This has recently happened in Austria on the issue of optional unemployment insurance for self-employed workers.

Conflict and Compromise Amongst Labour and Capital

The involvement of social partners in policymaking does not necessarily mean that there will be an agreement on the issues at stake. The government may seek to consult and involve social partners in policymaking in order to gain their agreement upon the policies it proposes, but they may disagree with the government or amongst themselves on the solutions to be found on a specific problem. The ability of social partners and government to find a compromise that is backed by all involved parties must be analytically separated from the act of involvement. These patterns of agreement or disagreement between social partners can be grasped through the concept of *Akkordierung* or “accordation”, a concept used in the Austrian context (Kenworthy & Kittel 2003: 15). *Akkordierung* is a situation where all actors (government, trade unions and employers) agree on a policy and support it publicly, especially with regard to its handling in parliament. This is useful to differentiate analytically between participation (the act of involving social partners) and its desired outcomes (from the point of view of governments), compromise and support. *Akkordierung* as such is only observed if all three actors, or at least the most important members of trade unions and employers, support a specific policy. The coalitions that will take shape in the corporatist arena can either gather the state and one of

the social partners, or the social partners alone against the state. In this latter configuration, policies are not likely to come about, since the state has the monopoly of making policy. It is difficult to outline a variation in the type of conflicts that may arise and cause disagreements between the involved actors, set against the wide variety of issues that can be tackled by social partners. *Policy-specific* or general *factors* determining *Akkordierung* can be briefly outlined.

Regarding *policy-specific* factors, conflicts may arise either over resources (distributional conflicts), over rules (regulatory conflict), or over competences (institutional conflict). Broadly speaking, this generally follows the types of public policies outlined by Lowy (1964): distributive, redistributive, regulatory or constituent. It may reasonably be argued that redistributive politics are the most conflictual in general terms, since they are closer to the outcome of a zero-sum game. Regarding *general factors*, there might also be disagreements between social partners and the governments because of the different logic of functioning of the different arenas: a policy advocated by social partners may be difficult to justify in front of voters, a concerns that is more taken into account by governments. The funding of specific policy programmes may also generate disagreement between governments and social partners: the former may favour payroll funding whereas social partners may favour general taxation instead, thereby diluting the overall financial burden over the whole economy. However, the specific terms of disagreement in general are determined by the actual policy issues at stake, and it is difficult to provide a comprehensive list of potential issues of disagreement here.

One of the most important determinants of compromises amongst social partners is the so-called *shadow of hierarchy*. Social partners have an incentive to find compromises on a specific issue if they fear that if they fail to do so, the government will act unilaterally and decide something on its own without cooperating with them. In this case, the costs of defection are higher than the costs of cooperation. Taking part in decision-making is better than being excluded, even if this involves making concessions with respect to one's primary interests. It is better to keep a grip on regulations than to leave them to bureaucrats alone. On the side of the government, this also requires a certain degree of strength (or determination) to make this threat credible (Van Waarden 2003: 17). Interestingly, and somewhat paradoxically, if governmental *weakness* is an important factor to explain why governments resort to *Konzertierung* (when they lack legitimacy or support), strength and credibility by governments (in their ability to govern) are important factors to explain why *Akkordierung* can come about, that is, when this specific type of policy procedure results in actual consensus and support¹⁴.

A typology of concertation processes

The two dimensions just presented (scope of involvement and compromise) can be useful tools to characterise concertation processes empirically. Falkner et al.'s typology is useful but does not take into consideration the outcome of concertation. Analytically, I consider that a policymaking process where organised interests are extensively involved but where no compromise is arrived at in the end is *analytically different* from one where a strong compromise is reached and backed by both sides.

Talos and Kittel (Talos & Kittel 2001: 75-76 see also (Kenworthy & Kittel 2003: 15-17) provide such an ordinal typology which combines those two dimensions in a manner that is close to what has just been discussed. They consider that the participation of organised interests in policymaking can vary in two main dimensions, namely the extent of this participation and the scope of the actor constellation involved. The first dimension (extent of involvement) aims at grasping the degree of participation and agreement reached by the participating actors. In *accordation*, the state negotiates proposals with the peak associations of labour and capital, and this results in a binding agreement amongst all actors. *Concertation* involves intensive negotiations between government, labour and capital which influence the final outcome, but no final binding agreement is reached; the government keeps a substantial degree of autonomy in the outcome of policy formulation. *Involvement* implies that organised interests are consulted, but the government does not aim at reaching an

¹⁴ The Wasenaar Agreement of 1982 in the Netherlands is a good example here in the sense that the agreement between employers and trade unions over wage moderation in exchange of a reduction in working hours was reached under strong governmental pressure.

agreement between all actors. The second dimension (scope of actor constellation) deals with the openness of policymaking, which can be narrow (only the main peak associations of labour and capital, or alternatively only one of them) or broad (involving other smaller interest groups, or experts from academia for instance) (Kenworthy & Kittel 2003: 16). These concepts form the base of a typology of association participation geared to grasp variation in the participation of organised interests across policy areas, and the degree of compromise between actors.

Table 7 : Typology of Associational Participation in Policymaking

1	No (formal) involvement of the peak associations in public policy making whatsoever
2	Formal involvement without relevant cooperation in a broader constellation
3	Formal involvement of the peak associations with relevant cooperation of either labour or capital in a broader constellation
4	Concertation between the state and the peak associations in a restricted constellation
5	Accordation between the state and one of the peak associations in a constellation with restricted access to the policy area
6	Accordation between the state and the peak associations without accordation between the associations
7	Concertation and tripartite accordation between the peak associations and the state in a closed constellation
8	Bipartite accordation between the peak associations with state support in a closed constellation.

Source : Kenworthy and Kittel (Kenworthy & Kittel 2003: 16-17).

Relations Between Concertation and Parliamentary Arenas

In countries where policy concertation plays an important role in policymaking, the corporatist and the parliamentary arena entertain an ambiguous relationship as two parallel, overlapping or possibly competing channels of policymaking. Stein Rokkan's (1966) early idea of "numerical democracy" (where "votes count") vs. "corporate pluralism" (where resources decide) as two sides of modern political systems summarises this idea fairly well¹⁵. In order for policy concertation to reach viable compromises that materialise into policy, they must ultimately achieve majorities in parliament. In this section I try to make my understanding of the relations between the two arenas operational.

The typical model of corporatist policymaking – or policy concertation – is characterized by a specific type of relations between the corporatist and the parliamentary arena within the policy process, in which the parliamentary arena is clearly subordinated to the corporatist arena: within the corporatist ideal the passage of a bill through parliament is more than ever before a process of rubber

¹⁵ This also touches upon the criticisms that have been addressed at corporatism as a non-democratic way of making policy. Decisions elaborated by way of policy concertation between representatives of employers, the state and employees have been accused of lacking democratic legitimacy. They are made behind closed doors, and are said to be taken in an untransparent way. As has been argued, the opacity of corporatist arrangements is even functional since organized interests have to deal with the so called "logic of influence" and "logic of membership" outlined by Schmitter and Streeck (1981). Indeed, whereas the preferences of rank-and-file members of trade unions are to make as few concessions as possible to employers and other parties (logic of membership), the elites have to be more accommodating with negotiating parties in order to reach agreements (logic of influence). Elites have little interest in showing to their rank-and-file all the concessions they have made in corporatist arrangements. This is why a certain level of opacity is a prerequisite to strike deals.

stamping (Held 1996: 228; see also (Lehmbruch 1984: 72). Deals are struck behind closed doors in the pre-parliamentary phase, through close interaction between the executive branch (usually specific ministries) and organized interests, whereas the parliament is very rarely involved. Bargains are often struck in the form of package deals that are then submitted to parliament, unable to modify them substantially without challenging the support provided by social partners. They often display a strong “take-it-or-leave-it” character. It can therefore be reasonably argued that successful policy concertation can only take place if parliament adopts a rather passive stance with regard to deals made by social partners.

The parliamentary and the corporatist arena can well be described – in a slightly stylised way – as two interacting “social fields” characterized by different rules of the game, different actors and different “exchange currencies”, but that often appear functionally equivalent as instances of decision-making¹⁶:

The function of electoral and parliamentary institutions is the aggregation of highly heterogeneous, individual acts of political choice. These institutions must, therefore, be able to cope directly with the problem of maintaining stability, predictability and responsiveness in representation. On the other hand, corporate representation presupposes a high degree of prior, intra-organisational aggregation: its stability and predictability rest upon the internal cohesion of relatively centralised associations (Lehmbruch 1984: 71).

Whereas actors in the political field seek to attract voters, seek re-election, attract media attention and – often – decide by majority rule, corporatist bargaining is about seeking influence, exchanging mutual concessions, and informal negotiation. Since leaders of interest associations are not subject to the electoral cycle, they are believed to act with a more long-term perspective. Of course, opacity may also favour specialised interests. Whereas politicians easily adopt a confrontational posture because they are held accountable by the media towards their constituents, elites of organised interests often tend to adopt a more cooperative stance vis-à-vis their opponents because of the constant contacts that are maintained between the elites of trade union and employer organisations. Publicity is much smaller in corporatist bargaining than in political debates involving partisan leaders.

With regard to the policy process, parliamentary and corporatist arenas also display different sets of resources. On the one hand, corporatist actors (trade unions and employers) often possess greater specialised knowledge, expertise and organizational resources on their issues of competence (labour market policies, wage bargaining or social protection) than political parties, that are more catch-all organisations dealing with a wide variety of issues. As argued above, organized interests are major players with regard to the implementation of and compliance with policies, and often gather much more members than parties. Their organizational base makes them close to the grassroots realities of the labour market and the economy in general (Culpepper 2002). On the other hand, the parliament as the main decision-making body with a democratic mandate is the only one that can pass on laws, and parties are the only holders of democratic legitimacy as such. Even if strong compromises are found between employers, the state and trade unions, nothing happens if those compromises do not find majorities in parliament. To an important extent, the materialization of corporatist deals into actual policy is therefore dependent upon the acquiescence of parliament, and the transmission chains between corporatist and parliamentary arenas. However, the mechanisms whereby parliamentary acquiescence to corporatist deals is ensured has been very rarely questioned. Here, I argue that this may be achieved through the organisational links between parties and organised interests, or patterns of executive-legislative relations. These can be understood as the main “transmission chains” between parliamentary and corporatist arenas.

¹⁶ See Bourdieu as explained in Accardo (1997). For an application to economic sociology, see Fligstein (2001). Although I will not develop this argument much further, this can also be considered close to the operationalisation of Kingdon’s streams (politics vs. policy stream) applied to social policy-making proposed by Béland (2005).

Organizational links between parties and interest groups

First, as argued above, organisational links between parties and organised interests appear as important channels of coordination between the two arenas (Lehmbruch 1984: 74-75). Very often, trade union officials also hold electoral mandates in parliament. This is very common in Switzerland and Austria, where the links between the SGB and the SP on the one hand, and the ÖGB and the SPÖ on the other are extremely close. In Austria, the ÖVP is also closely linked to the *Wirtschaftskammer* (Pelinka 2008: 446). This allows a great deal of coordination and continuity between corporatist and parliamentary arenas. It is not uncommon that trade union officials that have negotiated a corporatist deal with employers and ministries are also the MPs that will handle the very same issue in the responsible parliamentary committee. Even independently of those organisational links, trade unions and employers associations often appear as centres of expertise for their respective social democratic and conservative/liberal parties. These kinds of links allow for support of political parties for positions of organised interests, and therefore parliamentary acquiescence.

However, as argued above, links between parties and organised interests have tended to become looser during the last decades as a result of social and ideological differentiation (Trampusch 2005). The social base of trade unions and social democratic parties has tended to become increasingly distinct, social democratic parties gathering essentially public sector workers, teachers and intellectual professions, whereas trade unions have remained strongly rooted in industrial professions (Oesch 2006). This has translated into diverging ideological positions. On the right-wing side, the link between parties and organised interests has been challenged from two sides. First, the emergence of “anti-corporatist” populist parties, such as the SVP in Switzerland or the FPÖ in Austria, that have strongly criticised corporatist institutions as a political cartel. Second, and partly linked to this, criticisms towards the power of organised interests within the parliamentary arena have also come from neo-liberal fringes within right-wing parties. Drawing upon Olson’s (Olson 1982) influential analysis, they denounced the institutional sclerosis it induced in the face of necessary economic adaptations. In Austria, the Greens have also denounced corporatist institutions and actors as part of a “political cartel” preserving existent economic structures the detriment of more environmentally sustainable modes of production.

Although party/trade unions were for instance traditionally close in Germany, links have also become looser with the evolution of the SPD towards a more “third way” agenda. This also translates into the organisational links of SPD MPs in parliament, who tend to be union officials less often than before (Trampusch 2005). This can also be observed in Switzerland, where Widmer (2007) has observed a progressive “participation” of trade union elites. Not to mention Ireland, that is characterised by one of the weakest labour parties in parliament (the Labour party) in Western Europe. The Labour Party was actually created by the Irish Congress of Trade Unions as a political branch, but its participation in government has been scarce. In Ireland, organisational links between parties and organised interests are therefore much weaker, and policy concertation relies more upon the second mechanism or coordination, namely executive dominance over parliament.

Executive Dominance over Parliament

Second – and this may explain the pre-eminence of social partnership in Ireland in the absence of strong party-union ties – parliamentary acquiescence can also be achieved through the institutional dominance of the executive over parliament. This is the most common channel of transmission in parliamentary systems, where the government can rely upon a disciplined majority in parliament. Here the links that count are not those between social partners and parties, but between governments and their parliamentary groups. In the Irish case, even though organised interests do not entertain strong links with parties¹⁷, executive dominance over parliament (because of strong party discipline) is sufficiently strong to gain the support of parliament to any policy proposed by the coalition in power, in particular those developed in collaboration with social partners. This configuration is very different in the Swiss case. Despite the fact that Switzerland has been governed by a grand coalition since 1959,

¹⁷ Irish parties have not been traditionally structured around class issues but around stances on the relationship with Britain at the time of independence (Mair & Weeks 2005).

MPs will not automatically support the policies proposed by the government because their party is present in government. Even if the “magic formula coalition” in Switzerland gathers around 80% of seats in parliament, it is often de facto in a situation of minority. Here, the level of uncertainty with regard to parliamentary support is much more important, and bargaining and organisational links between parties and interests groups may play a much more important role.

In any case, the acquiescence of parliament in the context of executive-legislative relations is very much dependent on current political coalitions. If the Government can rely upon a strong disciplined majority in parliament, the parliamentary process is not a source of uncertainty in itself. However, in cases of minority governments (which have been relatively widespread in a country like Denmark) or of weak partisan discipline (widespread in Switzerland), the parliamentary acceptance of bills becomes more uncertain. One may argue that in cases where the government has a strong, disciplined majority in parliament, organisational links between peak associations and political parties will play a less important role than when parliamentary support is more uncertain.

Conclusion

In this paper, I have outlined a few explanations of the persistence of corporatist policymaking in Europe and its relationship with parliamentary democracy. I have argued that even if the underlying power relationships between labour and capital which underpinned it have changed fairly fundamentally, corporatist policymaking still proves to be an expedient means of making policy when governments are faced with difficulties to build political support for reforms, when the lack of concertation is likely to create problems of non-compliance with policies, and when governments lack knowledge and a problem-solving capacity about issues of primary concern to the social partners. Then, I have outlined a typology of concertation processes drawing upon different levels of autonomy of the different actors. Finally, I have outlined a few mechanisms of coordination between corporatist and parliamentary arenas which allow corporatist deals to come into actual policy: organisational links between organised interests and political parties, and executive dominance over parliament.

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