Sven Oskarsson

The Fate of Organized Labor

Explaining Unionization, Wage Inequality, and Strikes across Time and Space

Uppsala 2003

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ABSTRACT

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The point of departure for this thesis is the divergent fate of organized labor during the last decades in the Western world. Given what we know about actual trends, how are we to explain the variation in the strength of organized labor across time and space? The thesis consists of four self-contained essays.

Essay 1: Using aggregate data from 15 advanced capitalist societies, I show that the estimated effects of domestic cyclical, labor market structural, and globalization variables differ in a predictable manner across nation-specific institutional frameworks.

Essay 2: In the second essay I argue that two institutional properties – the degree of centralization in the bargaining system and the workplace access of the union movement – will interactively influence the unionization process. The empirical results indicate that these institutional variables positively influence the aggregate density levels and cushion the effects of compositional factors on the probability of being a union member.

Essay 3: In the third essay I argue that coordinated wage bargaining alters the causal logic when explaining wage inequality, in the sense that common explanatory factors have different effects depending on the degree of bargaining coordination. The evidence presented supports the theoretical argument.

Essay 4: In this essay I propose a formal model of strike behavior predicting a curvilinear relationship between employer beliefs about union bargaining strength and the probability of a strike. Further, I argue that this curvilinear relationship is valid only under uncoordinated wage bargaining.

Keywords: Unionization, Wage Inequality, Strikes, Labor Market Institutions, Globalization, Varieties of Capitalism, Institutional Explanations

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In his *Exterminate all the Brutes* Sven Lindqvist makes a reflection worth quoting at length:

> Even in the most authentic documentary there is always a fictional person – the person telling the story. I have never created a more fictional character than the researching "I" in my doctorate, a self that begins in pretended ignorance and then slowly arrives at knowledge, not at all in the fitful, chancy way I myself arrived at it, but step by step, proof by proof, according to the rules. (2002:104)

This confession could just as well have been mine. My own researching "I" will lead you through this thesis, hopefully step by step and proof by proof. However, it is important to keep in mind that the researching "I", my own as well as other versions of him/her, does not only pretend to be a very rational and logical human being. He/she is also somewhat ungrateful, eagerly calling attention to his/her own allegedly important findings while downgrading the contribution of others in this process. Thus, before turning into this fictional character I want to spell out my huge gratitude to a number of persons inside and outside the academic world for their contributions to this thesis and, more importantly, for making my time as a graduate student such a pleasant experience.

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Friends and family – I am afraid that I have failed in my mostly awkward attempts over the last years to explain what this thesis really is about and why the topic fascinates me so. Nevertheless, here is the end result. You all mean a lot more to me than I have ever been able to make clear, so I hope you will not misinterpret this year's Christmas gift. If you find its amusement value limited, remember that it has taken me six years to complete.

Finally I turn to those closest to me, Sofia and Edvin. It would be an exaggeration to claim that you have had any significant influence on the contents of this book. Your importance to me is far more profound. Without you the researching "I" might still endure but the real "I" would certainly be a poorer person. To both of you, to my father, and to the memory of my mother, I dedicate this thesis.

Uppsala, November 2003

Sven Oskarsson

Contents

Introduction – The Fate of Organized Labor

A decade ago the debate about the supposed detrimental effects of economic globalization was at the center 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 at the imperatives of globalization 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 thesis is to prove something that, at least in large parts of the academic world, is well established. Focusing on the fate of organized labor, I show that trends in unionization, 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 thesis. I argue that it is not enough to merely conclude that trends in the strength of organized labor vary both cross-nationally and over time in a manner not in accordance with converging political economies. At the heart of the four essays to follow is, instead, a more intriguing and theoretically grounded question. Given what we know about actual trends, how are we to explain the variation in the strength of organized labor across time and space?

The basic theoretical argument of this thesis is straightforward and can be stated briefly. Political, social, and economic behavior 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 a first glance, this statement may seem to border on the obvious. However, the implications of taking it serious 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 hypothesized to influence the strength of organized labor to be conditional on certain spatiotemporally varying contextual settings. The bulk of this thesis is devoted to disentangling and precisely specifying the relevant contextual factors for the outcomes in question and testing how they alter the causal logic when explaining the strength of organized labor across time and space.

The Fate of Organized Labor – The Myths

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 pressures – be that inherent contradictions in the capitalist system (Offe 1984) or the logic of industrialism (Kerr et al. 1960) – that reward the most efficient systems and penalize the rest. Under such circumstances a common way of organizing 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 industrialized world has led to a forceful revival of the debate about convergence among capitalist societies. This time the focus is directed at the supposed imperatives of increased economic interdependence or globalization. The severe competition for investment capital and export opportunities, the story goes, will irrevocably result in converging political and economic institutions (Lash & Urry 1987; Gill & Law 1989; Andrews 1994; Cerny 1995; Kapstein 1996; Schmidt 1996; Castells 1997).[1] Other forces are hypothesized to amplify this development. Thus, technological change, the seemingly institutionalized high rates of unemployment in large parts of the western world and the contraction of the traditional industrial sector have, together with the increased economic interdependence, forced nation states to adopt a market-liberal order characterized by severely reduced ability to conduct redistributive policies (Kurzer 1991; Mishra 1993) and deregulate labor markets (Katz 1993).

The common denominator of this recent surge of convergence theorists is that labor, and in particular organized labor, 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 unem-

[1] Similar scenarios are conjured in popular novels – see, for example, Reich (1992) and Martin & Schumann (1997) – some of which Krugman (1996) takes on in his at the same time thought-provoking and hilariously funny book entitled *Pop Internationalism*.

ployment rates will weaken the bargaining position of unions. Furthermore, the marginalization 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 the labor market organizations and deprive unions of their natural powerbase (Lash & Urry 1987; Katz 1993; Traxler 1996; Huber & Stephens 1998; Teague & Grahl 1998; Regini 2000). All in all, whether these prospects are hailed or detested, the future for organized labor looks gloomy. Globalization, technological change, unemployment, and de-industrialization entail radical changes in the workings of the labor 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 the data. For the convergence hypothesis to find support union strength across the western world should have been deteriorating over the last decades. Furthermore, the weakening of organized labor should be 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, Lange & Wallerstein 1997a; Ferner & Hyman 1998). However, in spite of massive evidence against convergence among advanced capitalist economies, both social scientists and, in particular, political practitioners over an over again point to the sweeping force of economic globalization and its supposed effects. Therefore, there is reason to, once again, show the obvious – that the hypothesized influence on the strength of organized labor of recent socioeconomic changes are just not borne out by the facts.

The Fate of Organized Labor – The Facts

There are, certainly, many ways to understand the strength of organized labor. In this thesis 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 organized labor is the simple ratio of union members to the total of wage and salary earners – that is, 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 unionized workers. The higher the union density, the more control the union will have over the supply side of the labor market (Freeman 1989; Rothstein 1989; Visser 1991; Traxler, Blaschke & Kittel 2001).

Secondly, the main purpose of organizing workers is, in the end, to influence the price of labor 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 labor 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' strive for more egalitarian wages becomes vital (Blau & Kahn 1996; Iversen 1999; Wallerstein 1999; Moene & Wallerstein 2001).

Yet another aspect of the bargaining process is whether the outcome is reached with or without conflict. Industrial conflict is a dramatic expression of labor-capital relations in general and working-class militancy in particular. As such, the strike as an instrument of labor economic action poses a direct challenge to the authority of employers and capital (Hibbs 1976; Korpi & Shalev 1979). However, when interpreting levels and trends in strike activity one has to keep in mind that labor quiescence can indicate two very different situations for organized labor. The reason for a union organization 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 organized to start with and increasing levels of wage inequality. Regarding trends in strike activity we have to be more careful in our judgement, since widespread labor quiescence as well as rising levels of labor 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 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 organized labour, measured as union density rates. Today the levels of unionisation cover a wide spectrum from a high of almost 90 percent in the Scandinavian countries to around 10 percent in France and the United States. Furthermore, these differences have been both stable and, above all, widening. Starting from the mid 1970s, union density rates have followed a distinct pattern of divergence. The most

Table 1: Union Density Rates in 18 Advanced Capitalist Democracies 1975–1998

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

Notes: 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: See Appendix B.

common trajectory is falling density rates, 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 levels have risen. The gap between the most and the least thoroughly organized labour forces has in the last 50 years grown from 30 percentage points in the early 1950s to the current 80 percentage points distance 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 unionization 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 1 – countries with low levels of union density have become less organized over time whereas the high-scoring nations have fared better in this respect. This is exactly the opposite from what was hypothesized by the convergence theorists.

This pattern of divergence is clearly discernible also in Table 2, where the trajectories of wage inequality rates in 17 countries between 1975–1998 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 United States, the Great Britain, New Zealand, and Austria. They are distinguished 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 locate a third cluster of countries consisting of the Nordic countries accompanied by Belgium. They stand out as the capitalist democracies with the most egalitarian distribution of wages. Just as was the case in the middle group the time trends of these countries are characterized 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, just the opposite from the one predicted by the convergence theorists. Countries with high levels of inequality have become more inegalitarian over time whereas the low-scoring nations have fared better in this respect. That is, despite the harsher socioeconomic climate unions’ ability to compress the wage structure has not collapsed in the more

Table 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
Canada	—	2.24	2.41	2.29	—	+0.002 (1981–1994)
United States	1.93	1.96	2.03	2.06	2.10	+0.007 (1975–1998)
Austria	—	—	1.94	1.99	—	+0.010 (1980–1994)
Great Britain	1.75	1.76	1.81	1.82	1.83	+0.001 (1975–1998)
Germany	—	1.76	1.64	1.60	1.59	–0.015 (1984–1995)
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)
New Zealand	—	1.70	1.72	1.75	1.79	+0.007 (1984–1997)
Australia	1.61	1.68	1.67	1.65	1.62	–0.000 (1976–1998)
France	1.70	1.64	1.62	1.63	1.59	–0.006 (1975–1996)
Netherlands	1.59	1.55	1.55	1.56	1.64	+0.003 (1977–1995)
Switzerland	—	1.41	1.40	1.37	—	–0.005 (1980–1990)
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)
Average	**1.71**	**1.65**	**1.65**	**1.68**	**1.69**	**–0.002**
Std.	**0.15**	**0.21**	**0.24**	**0.26**	**0.22**	**0.007**

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: See Appendix B.

egalitarian countries. On the contrary, the pattern is one of divergence.

Table 3 presents data on strike volume – working days lost per worker and year because of industrial disputes – for 18 countries between 1975–2000. The impression when looking at these figures is one of increasing labor quiescence. Comparing the first (1975–1979) and the last (1995–2000) time-period, we can see that 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: –0.98 and significant at the 0.001 level.

If anything this development seems to render strong support to the convergence theory. Economic globalization, technological change, high rates of unemployment, and de-industrialization have severely obstructed working-class militancy and the only way labor nowadays can ensure employer cooperation is by good behavior.

However, as noted previously, one should not rush to this conclusion too quickly. Keeping in mind that labor quiescence can indicate strong as well as weak unions we can actually distinguish very much the same pattern as in Tables 1 and 2 when looking closer at Table 3. The most radical changes in the fortunes of organized labor, in this case decreases in strike activity, are once again found in the Anglo-Saxon countries. In the Nordic and continental European economies, however, strikes have never been a very good predictor of labor strength since institutionalized bargaining systems have made strikes less tempting (Streeck 1993; Western 1997; Thelen 2001). The strikes that do occur in these countries tend to be sporadic but quite voluminous, indicating that union federations sometimes, and irrespective of the socio-economic climate, have to embark on, in the short run costly, strikes in order to stop their chief weapon and ultimate manifestation of strength from growing rusty and ineffective in the long run (Paldam & Pedersen 1982).

Interpreted 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 lends support to the opposite scenario – the strength of organized labor across the western world has clearly diverged over the last few decades. In countries where labor strength was firmly rooted in the mid 1970s, union density has risen or been stable, wages have become more compressed, and strike activity seems unaffected by the socio-economic climate. The fate of labor in countries where union strength three decades ago was more fragile, instead, follows the predictions of recent convergence theorists – unionization rates have plunged, wages have become more unequal, and strikes are now rare curiosities.

Table 3: Working Days Lost per Worker in 18 Advanced Capitalist Democracies 1975–2000

Country	1975–1979	1980–1984	1985–1989	1990–1994	1995–2000	Yearly Change
Austria	0.001	0.002	0.003	0.007	0.001	– 0.000 (1975–2000)
Switzerland	0.003	0.001	0.000	0.001	0.002	– 0.000 (1975–2000)
Netherlands	0.028	0.022	0.010	0.020	0.023	– 0.000 (1975–2000)
Sweden	0.029	0.245	0.118	0.053	0.037	+ 0.001 (1975–2000)
Norway	0.031	0.061	0.131	0.070	0.115	+ 0.004 (1975–2000)
Germany	0.047	0.050	0.002	0.018	0.003	– 0.002 (1975–2000)
Japan	0.074	0.013	0.005	0.003	0.001	– 0.004 (1975–2000)
Denmark	0.084	0.110	0.245	0.037	0.257	+ 0.008 (1975–2000)
France	0.184	0.085	0.039	0.025	0.027	– 0.008 (1975–2000)
Belgium	0.247	0.071	0.062	0.032	0.025	– 0.011 (1975–2000)
United States	0.336	0.165	0.089	0.043	0.056	– 0.014 (1975–2000)
New Zealand	0.372	0.297	0.418	0.090	0.022	– 0.017 (1975–2000)
Finland	0.476	0.490	0.350	0.208	0.127	– 0.017 (1975–2000)
Great Britain	0.502	0.477	0.178	0.035	0.021	– 0.023 (1975–2000)
Australia	0.590	0.463	0.222	0.157	0.099	– 0.026 (1975–1997)
Ireland	0.888	0.462	0.287	0.133	0.096	– 0.039 (1975–2000)
Canada	0.934	0.665	0.429	0.231	0.215	– 0.035 (1975–2000)
Italy	1.428	0.892	0.280	0.228	0.073	– 0.066 (1975–2000)
Average	**0.347**	**0.354**	**0.159**	**0.077**	**0.066**	**– 0.014**
Std.	**0.458**	**0.319**	**0.236**	**0.101**	**0.146**	**0.019**

Notes: The change column presents the average year to year change in earnings inequality from the first to the last period in each country time-series.
Sources: See Appendix B.

The Fate of Organized Labor – A Theoretical Framework

If only interested in refuting simple convergence hypotheses the figures presented in the tables above are convincing enough. However, the results are question-begging. How do we explain the divergent fate of organized labor during the last decades? Or, to put it in more general terms, how do we account for the fact that supposedly similar factors – increased economic globalization, rapid technological change, higher unemployment and, deindustrialization – have had different implications for labor in different countries?

This is the question to which I devote the lion's share of this thesis. In short, in the four essays to follow I will argue that certain configurations of the labor market institutional framework within which unions, employers, and workers interact can be conceived of as a powerbase for labor, enabling unions to better further their goals. However, institutional settings such as the level of wage-coordination in the bargaining system, the local capacity of the union organization, and the organization of the unemployment benefit system are more than power resources. These institutional constraints will alter the very causal logic of the labor market and can thereby explain diverging effects on the unionization process and bargaining outcomes of common explanatory factors. Here I will confine myself to briefly delineate this theoretical argument and summarize the main empirical results in order to focus on some wider implications of the findings.

The Importance of Institutional Constraints

To better understand the basic mistake of convergence theories and the vital importance of institutional constraints when trying to understand labor market outcomes we have to be very clear about what a market in actuality is. The textbook type of market is a self-regulating mechanism where the supply of goods at a definite price will equal the demand at that price. That is, apart from rules and policies that help to ensure the self-regulation – such as contract laws – the ideal market is unfettered by institutional constraints. Under these conditions the predictions of convergence theorists do seem very plausible. Whatever strengths adhere to labor it derives from market conditions and as these worsens unions will weaken. Consequently, as increased economic globalization, rapid technological change, higher unemployment, and de-industrialization have intensified competition among workers the strength of organized labor has decreased all over the western world.

However, this type of *labor* market has not been prevailing always and in all places. On the contrary, as a rule labor markets are constrained by institutional arrangements that, to a higher or lesser degree, will counteract the self-regulating process of the ideal market. The reason for this is often forgotten. The crux is that labor is not just any commodity (Offe & Wiesenthal 1980). It cannot be separated from its owner – the worker – and it does not come into being due to the expectation of its saleability. Thus, the worker is more or less forced to enter into a wage contract. Given a view on labor as a pure commodity one should not hesitate to prevent the 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 labor as any 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. Therefore, to at least partly insulate labor from the whims of the market, real world labor 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 labor market the strength of organized labor is expected to fluctuate with market forces. Further, since institutional constraints in real world labor markets distort the market principle we have to take these arrangements into consideration when explaining labor market outcomes such as unionization, 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 organized labor, since certain institutional configurations will function as a power resource for labor. Second, and more important, 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 labor market (Schumpeter 1954; Western 1997; Iversen & Pontusson 2000).[2]

However, to explain the divergent fates of organized labor across the western world we have to be more precise than this. First of all, we must pinpoint exactly 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. Can it not be that the very institutional framework, that hitherto has insulated organized labor from market fluctuations in some countries, will break under the pressure of recent socioeco-

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

nomic changes and leave way to a new market-conforming institutional order? If this is the case, we should indeed expect the strength of organized labor to converge in the long run, albeit at a slower pace than has commonly been assumed.

The Path Dependency of Institutions – The Varieties of Capitalism Approach

To answer these questions we will turn to the growing literature on what has been referred to as varieties of capitalism (VOC). From this research we have learned that advanced capitalist economies form distinctive clusters, distinguished by interconnected institutional arrangements (De Jong 1995; Gourevitch 1996; Rhodes & Apeldoorn 1997; Hall 1999; Soskice 1999; Hall & Soskice 2001). Emphasized 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 center of the approach are the multiple interrelationships between the agents of a capitalist system – companies, customers, owners of capital, employees, unions, employer organizations, and the state. The actions and strategies of these actors and the relationships between them will, to a large part, be determined by the framework of incentives and constraints given by the set of institutions within which the actors are embedded.

Following Soskice (1999) we can summarize these institutional settings as two distinct production regimes or types of capitalism.[3] First of all 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 emphasize 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, first and foremost associated with the Anglo-Saxon countries, characterized by market deregulation and shorter-

[3] 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; Rhodes & Apeldoorn 1997; Rhodes 1998; Hall & Soskice 2001).

term and more competitive relations among the actors. These relationships are promoted by corporate governance systems that emphasize short-term and high-risk financing of companies, deregulated industrial relations that facilitate unilateral management control, education and training systems that focus 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 in those product markets where flexibility is highly valued such as international services.

More important than such simple descriptive categorizations of national economies are the hypothesized effects of the institutional framework. The central argument of the VOC approach is that existing production regimes or types of capitalistic order strongly condition the strategies of the actors of the capitalistic system (North 1990; Iversen 1999; Kitschelt et al 1999; Iversen & Pontusson 2000; Hall & Soskice 2001).

This is, of course, a very general idea and should be more accurately defined in order to be useful. The statement can be decomposed into two causal claims, each of which is highly relevant for solving the two problems pointed out in 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 that have what effects on unionization, wage inequality, and strikes. The second claim is about the path dependent dynamics of institutional change and provides us with an argument against eventual convergence of the strength of organized labor 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 & Soskice 2001). Two institutions can be said to be complementary if the presence or efficiency of one (e.g. the corporate governance system) increases the returns from the other (e.g. the industrial relations system). This suggests that nations with a particular set of institutions in one sphere of the economy should tend to develop complementary institutions in other spheres. Thus, institutional complementarities can explain the clustering of countries along the dimensions that distinguish coordinated from uncoordinated market economies.

Furthermore, 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). The actors of 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, conclusions about the breakdown of previously centralized industrial relations systems (Katz 1993; Golden & Wallerstein 1997), first and foremost in Sweden, seem to be premature. At closer inspection, the dynamics reveal rather incremental changes as a consequence of renegotiations of traditional institutional arrangements in the face of heightened economic competition (Golden & Wallerstein 2000; Thelen 2001).

Turning instead to the second causal claim of the VOC approach, it states that the effects of common explanatory factors will be conditional on the nation-specific institutional arrangements constituting different production regimes (Kitschelt et al. 1999; Hall & Soskice 2001). That is, institutional constraints will alter the causal logic of the actors in such a way that pressures for change, be that from economic globalization, technological change, de-industrialization or increased unemployment, will be perceived differently by actors in coordinated compared to uncoordinated market economies.

We can easily check this claim by reinterpreting the results presented in Tables 1 through 3 in light of the distinction between uncoordinated and coordinated market economies. Among the 18 countries for which trends in unionization, wage inequality, and strike volume was described in the previous section, six can be classified as uncoordinated market economies (Australia, Britain, Canada, Ireland, New Zealand, and the United States) and the other twelve as coordinated market economies (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, and Switzerland) (Soskice 1999).[4] In Table 4 the over time change in unionization rates, wage inequality, and strike volume is presented separately for countries belonging to the two different production regimes.

At a first glance, the distinction between uncoordinated and coordinated market economies seems to be important when trying to explain the divergent fate or organized labor. Comparing the average trends between the two groups we can see that the changes are much larger in the cluster of uncoordinated countries than among the coordinated nations.[5] In the group of Anglo-Saxon countries unionization 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 hypothesis. Looking at the group of coordinated market economies the main impression is, instead, stability or, in the case of wage inequality, an unexpected change towards a more egalitarian wage structure.

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[4] France and Italy are sometimes, together with Greece, Portugal, and Spain, characterized 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 1997; Pontusson & Rueda 2000; Hall & Soskice 2001). However, on most dimensions France and Italy bear closer resemblance to the coordinated than to the uncoordinated cluster. In order to keep the presentation as simple as possible I have, therefore, retained the two countries in the group of coordinated market economies.

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

Table 4: Trends in Union Density, Wage Inequality, and Strike Volume in Liberal and Coordinated Market Economies

Country	Union Density	Wage Inequality	Strike Volume
Liberal Market Economies			
Australia	–0.70	–0.000	–0.026
Canada	–0.00	+0.002	–0.035
Ireland	–0.50	—	–0.039
New Zealand	–1.43	+0.007	–0.017
Great Britain	–0.85	+0.001	–0.023
United States	–0.50	+0.007	–0.014
Average	**–0.66**	**+0.003**	**–0.026**
Std.	**0.47**	**0.003**	**0.010**
Coordinated Market Economies			
Austria	–0.66	+0.010	–0.000
Belgium	+0.32	–0.003	–0.011
Denmark	+0.35	–0.005	+0.008
Finland	+0.60	–0.009	–0.017
France	–0.62	–0.006	–0.008
Germany	–0.40	–0.015	–0.002
Italy	–0.60	–0.015	–0.066
Japan	–0.52	–0.006	–0.004
Netherlands	–0.61	+0.003	–0.000
Norway	+0.05	–0.006	+0.004
Sweden	+0.60	+0.000	+0.001
Switzerland	–0.46	–0.003	–0.000
Average	**–0.16**	**–0.005**	**–0.008**
Std.	**0.51**	**0.007**	**0.019**

Notes: Union Density (Table 1, column 7) presents the average year to year change in union density from earliest to latest available observation in each country time-series. Wage Inequality (Table 2, column 7) presents the average year to year change in wage inequality from earliest to latest available observation in each country time-series. Strike Volume (Table 3, column 7) presents the average year to year change in earnings inequality from first (1975–1979) to last (1995–2000) period in each country time-series.
Sources: See Appendix B.

However, capturing the divergent trends in unionization, wage inequality, and strike activity across these 18 capitalist democracies by distinguishing between these two broad production regimes, obscures more than it reveals. First of all, the discussion so far has concerned average trends. As is evident from Table 4 the within-group variation in changes over time is still significant, especially among the coordinated market economies. Clearly something is missing. A coherent explanation of divergence should be able to account also for this within-group variance.

Secondly, and more importantly, the VOC approach is very vague about the mechanisms explaining the different causal logic in coordinated compared to uncoordinated market economies. It does provide us with 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 the corporate governance systems, the industrial relations systems, the inter-company systems, the vocational training and education systems, or the 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 that matter, how they matter, and for what outcomes still awaits its solution.

Uncovering the Myths – Summary of the Results

The discussion so far has taken us to the point from which the essays to follow will depart. To recapitulate, we have established that trends in union density rates, wage inequality, and strike activity follow clearly divergent paths across the western world despite common competitive pressures for change. In countries where labor strength was firmly rooted in the mid 1970s, unionization rates have risen or been stable, wages have become more compressed, and strike activity seems unaffected by the socioeconomic climate. The fate of organized labor in countries where union strength three decades ago was more fragile, instead, follows the predictions of recent convergence theorists – unionization rates have plunged, wages have become more unequal, and occurrence of labor disputes are much less common nowadays.

These findings alone refute simpler arguments about convergence of political economies among capitalist democracies. But the results are also question-begging. To account for the divergent trends in union strength we emphasized the importance of institutional arrangements constraining labor markets. Social legislation, work regulation, collective bargaining, systems for vocational training, and other institutional arrangements will insulate labor from the whims of the market forces and thereby alter the causal logic explaining labor market outcomes.

However, for this argument to be something more than just a vague statement two obstacles must be overcome. First, a theoretical argument have to be put forth stating which institutions that matter, in what way, and for which outcomes. Secondly, we should take a step back and counter a more subtle argument by proponents of the convergence thesis. If the institutional framework, that hitherto has insulated organized labor from market fluctuations in some countries, will break under the pressure of recent socioeconomic changes and leave way to a new market-conforming institutional order we should indeed expect the strength of organized labor to converge in the long run, albeit at a slower pace than has commonly been assumed.

The detour to the VOC approach provided us with a solution to the second problem. Due to strong institutional complementarities there is reason to expect institutions to adapt incrementally and to follow nation-specific and path dependent trajectories in the face of recent socioeconomic changes. Unfortunately, the literature on varieties of capitalism is rather vague concerning the first question. That is, in order to explain the divergent fate of organized labor we still have to locate the institutional constraints and working mechanisms that influence the causal logic when explaining unionization, wage inequality, and strike activity.

To solve this problem is the overall purpose of this thesis. In the four essays to follow I will elaborate theoretical arguments for how to explain unionization, wage inequality, and strike occurrence across time and countries and test the empirical predictions using available data. In the subsequent sections the main results of this endeavor are summarized.

Class Struggle in the Wake of Globalization: Union Organization and Economic Integration[6]

The starting point of this essay is the widespread claim about the effects on organized labor of economic globalization. Focusing on the strength of labor as measured by union density the more simplistic predictions about convergence to a lowest common denominator is ruled out. The most evident characteristic of union density trends across countries is instead divergence.

The theoretical section results in a possible solution to this puzzle. Given the institutional framework within which the unionisation process takes place we should expect divergent outcomes of common factors. Institutional settings such as the level of centralization of the bargaining system, the local capacity of the union organization, and the organization of the unemploy-

[6] Already published in Magnusson, Lars, and Jan Ottosson (eds.). 2002. *Europe – One Labour Market?* Brussels: Peter Lang. Reproduction by kind permission of the publisher.

ment benefit system will fix the power relationship between labour and capital and to a higher or lesser degree insulate the actors of the unionisation process from market forces.

The results of the concluding empirical analyses support the stated hypotheses. Using data from 15 advanced capitalist societies in a pooled time-series cross-section regression model, I show that the estimated effects of domestic cyclical, labor market structural, and globalization variables differ in a predictable manner across the nation specific institutional frameworks. Substantively this enables us to solve the puzzle of divergent union density trends across countries. Two important factors – de-industrialization in the form of a growing service sector, and economic globalization understood as increasing financial openness – make this pattern understandable. This is just what the theoretical section leads us to expect. The importance of institutional constraints when explaining cross country variance and temporal trends in the union density levels are unmistakable.

Institutional Explanations of Union Strength: An Assessment[7]

Few other basic features of the political economies of western democracies differ as much as the strength of organized labour. To understand these features researchers have highlighted the importance of historically contingent institutional factors in setting the constraints and options for the actors in the unionization process. In this essay I return to the problem of explaining unionization, this time with special attention given to institutional mechanisms. I show how earlier country-comparative institutional explanations of union strength are both theoretically and methodologically flawed. Concretely I concentrate on two institutional properties – the degree of centralization in the bargaining system and the local organizational capacity of the union movement – and show that neither of them can by themselves be expected to have any effect on the actors in the unionization process. Instead it is the combination of a highly centralized bargaining system and a locally present union movement that positively affects the degree of unionization. Further, I extend the argument to cover also Bruce Western's (1994) hybrid model of unionization.

The basic predictions are tested using, firstly, simple cross-country regression models and, secondly, individual level data from 15 western countries in a pooled logit model. The results of both tests point in the same direction and speak in favor of the stated hypothesis. The combination of centralized bargaining and local union capacity does not only positively influence the aggregate density levels but also cushions the effects of industry,

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[7] Already published in *Politics & Society* 31:4 (2003). Reproduction by kind permission of the publisher.

occupational, and demographic factors on the probability of being a union member. The results points towards a central and more general claim of the essay: to be able to say something more than that "institutions matter" we have to use available empirical evidence in a theoretically and methodologically informed way.

Divergent Trends and Differing Causal Logics: The Role of Bargaining Coordination when Explaining Earnings Inequality across Advanced Democratic Societies

In this essay I argue that the importance of coordinated wage bargaining when trying to understand wage distributions across time and space is even more profound than has hitherto been acknowledged. The degree of coordination of the wage formation process is not only a crucial predictor of cross-country and over-time variation in earnings inequality. We should also expect coordinated bargaining to alter the causal logic when explaining wage inequality, in the sense that common explanatory factors will have different effects given the degree of wage bargaining coordination. Related to this main purpose I also argue that earlier research has been somewhat narrow in its scope when concentrating exclusively on the centralization dimension. The crucial factor is instead coordination of wage formation, which can be accomplished by other means than centralization of the collective bargaining process.

The evidence presented in the essay supports the theoretical argument. Using aggregate time-series cross-country data from 17 capitalist democracies between 1977–1997, I show that, given uncoordinated bargaining, increases in trade with less developed countries, economic openness, and decreasing unemployment have inegalitarian effects on the wage distribution. Unionization, on the other hand, is related to changes in earnings inequality in a curvilinear fashion. However, as the degree of coordination in wage formation increases these effects gradually disappear.

Further, this pattern of interaction effects is not a result of other, unmeasured country-specific institutional factors, capable of altering the logic when explaining wage inequality and correlated to the degree of bargaining coordination. When controlling for type of market economy – social or liberal – the effects on earnings inequality of the explanatory variables are still contingent on the degree of coordination in the bargaining system. Thus, the varieties of capitalism approach can be no more than a first step towards an explanation of the divergent trends in wage inequality across the advanced capitalist societies.

Lastly, the model estimates are used to simulate the change in the trends in earnings inequality between 1977-1997 in Japan and the United States –

two countries that are excluded from the empirical analysis. The result of this test is very promising. Using the estimated effects and the actual changes in the explanatory variables it is possible to almost perfectly predict the very different trajectories of the Japanese and American wage distributions over the last three decades.

Striking Differences: How to Explain Labor Disputes

Over the years a set of stylized empirical facts about strike activity have been established. Above all, many studies have found that strikes are a function of the relative bargaining strength between labor and capital as measured by economic, political, and organizational factors. However, from a theoretical point of view it has been difficult to reconcile these findings. If the relative bargaining power of labor and capital changes in opposite directions with the business cycle and shifts in the organizational and political capabilities of the actors this should be reflected in the level of wages and not strike activity.

In this essay I propose a simple model of strike behavior, resting on employer beliefs about union bargaining strength, that enables us to bridge this gap between empirical findings and theoretical modeling. The model predicts that employers will be more aggressive, that is, offer lower wage increases, when they believe that the union is pressed for time or in risk of an unfavorable outcome in case of a strike. These beliefs about union bargaining strength will be related to the occurrence of strikes in a curvilinear fashion. When the employer infers a high probability that its union counterpart is either weak (impatient or in risk of a less favorable strike outcome) or strong (content with prolonged negotiations or expecting an advantageous outcome in case of a strike) the probability of a strike is low. However, when the employer is uncertain about union bargaining strength the probability of strike occurrence increases. Further, I will argue that this curvilinear relationship between employer beliefs about union capacity and strike occurrence is valid only under uncoordinated wage formation. Given coordinated bargaining, where wage setting in one bargaining unit is connected to bargaining in other units, there will be strong incentives for the actors to reveal private information in order to ensure peaceful settlements.

Using aggregate time-series cross-country data some preliminary support for these predictions are presented. The curvilinear relationships between strike frequency and, on the one hand, the inverse of the unemployment rate as a measure of employer beliefs about union endurance in bargaining situations and, on the other, governmental composition as an indicator of the expected strength of the unions in case of an exogenously enforced strike outcome are unmistakable. It is also evident that this curvilinear pattern gradually vanishes the more the labor market is characterized by coordinated bargaining.

Social Science and the Strive for Epistemic Knowledge

The basic logic behind this thesis can be stated succinctly. Political, social, and economic behavior 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 (Przeworski & Teune 1970; North 1990; Laitin 2003). This premise will, by itself, make simpler notions about convergence among capitalist economies untenable. If behavior 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 the 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 among most, but certainly not all, social scientists. However, the world according to social researchers and political practitioners are not always in accordance. Politicians over and over again use the so-called imperatives of globalization as a scapegoat when justifying unpopular decisions. The political autonomy of the nation-state is said to be irrevocably undermined because of the 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 important, the main purpose of this thesis is not so much to refute ideas about convergence as to try to explain the apparent divergent fate of organized labor across the Western world with reference to contextual differences across nations. However, to say that our models should be sensitive to contextual variation across time and space might lead us into another pitfall, which is the polar opposite of simpler convergence theories. Social reality is complex and it may be infinitely diverse. This belief has lead some researchers to conclude that social reality can be understood only within the context in which it is observed. That is, social phenomena always occur in mutually interdependent and interacting structures, possessing a spatiotemporal location. If adhering to such a view, any attempts at reaching general, nomothetic statements about societal relationships will be a waste of time. Social science is qualitatively different from the natural sciences and should not try to imitate the latter's strive for epistemic knowledge.[8] This standpoint is irreconcilable not only with convergence theories, which do not make any attempts to take context into consideration, but also with the basic logic of this thesis. Therefore, by way of conclusion, I shall confront this standpoint and the implications about the proper role for the social scientist drawn from it by its adherents.

First, it should be emphasized that I do agree with those who believe that analysis of social reality without references to the contextual settings within which the social phenomena in question take place, is not only improper, but many times also faulty. Institutions, norms, and culture do play a vitally important role for defining our behavior as social, political, and economic beings. However, I am not prepared to take the leap from this admission to the conclusion that general lawlike statements never can explain social phenomena by necessity. For this to be true, appealing to context must be tantamount to saying that social reality actually is infinitely diverse and that, therefore, knowledge about society in the epistemic sense of the word is unattainable even in theory, something which has been suggested but never proven (Flyvbjerg 2001). Lacking such evidence it is perfectly valid to take the opposite standpoint. Therefore, I argue that appealing to context should, instead, be conceived of as saying that we have not yet been able to discover or specify the factors that produce the outcomes we are interested in (Przeworski & Teune 1970; Laitin 2003). In the end, to unravel such contextual factors is what comparative social science is, or, to be more correct, should be about.

To state my position clearly, I believe that the characteristics of particular contextual settings can be expressed as general variables and the ultimate goal of comparative social science is the substitution of such variables for proper names of spatiotemporal contexts, within which social, political, and economic behavior is defined. That is, social science should be sensitive to context as long as this means a desire to analyze it, decompose it and hypothesize how it influences social events, behavior, and relationships. Understood in this way, awareness of contextual factors is essential for improved theory construction as well as issues of public policy.

[8] For a recent example of this view, attracting much attention, see Flyvbjerg (2001); for a vivid rebuttal, see Laitin (2003). The proper role for social science is, for the moment, hotly debated among political scientists as a consequence of the so-called Perestroika controversy at the 2001 American Political Science Association meeting. At the heart of the dispute is the charge of the Perestroikans that certain methodological approaches – first and foremost formal modeling and statistical testing – have established a hegemonic and also detrimental position in the field of political science. Flyvbjerg (2001) can be seen as providing the epistemological underpinning of such a view.

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Appendix A – Some Methodological Issues

The theoretical predictions in the four essays in this thesis are tested using data from 15 (essay 1), 17 (essays 3 and 4), or 21 (essay 2) countries in simple cross-country or pooled time-series cross-section regression models. However, owing to the sequence in which they were written there are some minor discrepancies when comparing the research design of essay 1 with those of essays 2, 3, and 4. In order to make sure that these dissimilarities do not affect the main empirical results, I have reestimated the union density model presented in essay 1 using a model specification and variable operationalizations corresponding with the analyses in essays 2, 3, and 4.

To test the influence of the explanatory factors on unionization in essay 1, I employed an error correction model. In essays 3 and 4 I, instead, used a partial adjustment model. In this appendix I have followed the second route and included the lagged union density level, that is, a partial adjustment model, to capture the dynamics and correct for time-wise correlation in the union density equation.

More importantly, I have made some slight changes when operationalizing the independent variables. Table A1, which, apart from these changes, replicates Table 4 in essay 1, presents the indicators of all explanatory variables. Firstly, the government partisanship variable is taken from a different source compared with the indicator employed in essay 1 (see Appendix B) and measures left party cabinet portfolios (instead of right party cabinet portfolios as in essay 1) as a percent of total cabinet portfolios. Secondly, the institutional framework index in essay 1 was constructed according to the formula

$$\text{Institutional Index} = \frac{\text{Centralization} \times \text{Workplace Access} + \text{Ghent}}{2} \qquad (1)$$

In essay 1 the centralization of the bargaining system was measured using data from Golden, Lange & Wallerstein (1997b) and Cameron (1984). In accordance with essays 2, 3, and 4 I have instead employed Kenworthy's (2001) measure of bargaining coordination in the analysis to follow. The measure indicates on a five-point scale the predominant level at which collective bargaining takes place, presence of pattern setting procedures, and government involvement in the process, ranging from fragmented wage bargaining (1) to centralized bargaining by confederations with a peace obligation (5). The coordination scores are standardized to the 0–1 range.

Table A1: Operationalizations of the Variables

Variables	Description
Union density:	Proportion of union members to the dependent labor force.
Unemployment:	The percentage of the civilian labor force unemployed.
Inflation:	Year-to-year percentage change in the Consumer Price Index.
Capital flight:	Net capital outflows of direct investment capital as a percent of GDP.
Government partisanship:	Annual average of left party cabinet portfolios as a percent of total.
Labor force:	Wage and salary earners plus unemployed workers measured in 1000s – logged.
Service sector:	The percentage of the civilian labor force employed in the service sector.
Government service sector:	The percentage of the civilian labor force employed in the government service sector.
Financial openness:	Weighted index – 0–100 – of the absence of national and international agreement restrictions on the movement of payments and receipt on goods and invisibles and on capital.
Institutional index:	Index – 0–1 – of the institutional framework within which the unionization process takes place. Combines the degree of coordination in the bargaining system, the organizational feature of the union at the local level, and the organization of the unemployment benefit system.

In essay 1 I coded Denmark, Finland, and Sweden as Ghent countries (1) and Belgium as “semi-Ghent” (0.5) due to its hybrid system: publicly financed unemployment insurance, administrated by the unions but not conditional on union membership. However, in essay 2 I coded Belgium as a non-Ghent country (0) since the hybrid system is valid only for private sector employees. In the public sector, the insurance is mandatory and administrated by public officials. When constructing the institutional framework index employed in the analysis below I have used the latter coding of Belgium as a non-Ghent country.

Finally, compared with the analysis in essay 1 the regression results presented in Table A2 cover a longer time-period – 1970–1997. Furthermore, Kenworthy's (2001) indicator of bargaining coordination allows us to include one more country in the analysis – Ireland.

Table A2: Results: Union Density Equation 1970–1997

Variables	Coefficient	Standard Error
Lagged dependent variable	0.876***	0.017
Unemployment	–0.165***	0.032
Unemployment × Inst	0.265***	0.095
Inflation	–0.049**	0.020
Inflation × Inst	0.162***	0.053
Net foreign direct investment	–0.099	0.080
Net foreign direct investment × Inst	0.291	0.197
Government Partisanship	0.574***	0.165
Government Partisanship × Inst	–0.386	0.475
Labor Force	0.415	0.758
Labor Force × Inst	–1.720***	0.451
Service Sector	–0.116***	0.032
Service Sector × Inst	0.221**	0.087
Government Service Sector	0.057	0.039
Government Service Sector × Inst	–0.057	0.108
Financial Openness	–0.025***	0.010
Financial Openness × Inst	0.038	0.024
Country dummies	yes	
n	442	
R^2 (adjusted)	0.998	
Significance levels: * < 0.10; ** < 0.05; *** < 0.01, two-tailed tests		

Comparing the estimates in Table A2 with the results of the error correction model presented in essay 1 (Table 5), the main impression is that the conclusions drawn in essay 1 are still valid. The magnitude, direction, and significance of most effects are unaltered by the different model specification, changes in operationalizations, and the inclusion of new observations.

However, there are some minor differences in the estimates of Table A2 compared with the results obtained in essay 1. According to Table A2, inflation is negatively related to unionization in countries scoring low on the institutional index but exerts a positive influence in institutionally stronger societies. This is the opposite to the expected pattern and also the opposite to the results presented in essay 1. On the other hand, the estimated influence of labor dominated governments in Table A2 – positive in institutionally weak countries and small and possibly non-significant in the stronger countries – validate one of the hypotheses spelled out in essay 1. This pattern of a conditional government partisanship effect could no be detected in the error correction equation presented in essay 1.

Considering that these changes in estimated effects speak against as well as in favor of the stated hypotheses, we can conclude that irrespective of model specification and variable operationalizations the main predictions from essay 1 are supported by the empirical analysis.

Appendix B – Data Sources

Table B1: Data Sources

Variables	Source
Bargaining coordination:	Kenworthy (2001). Dataset can be downloaded at http://www.emory.edu/SOC/lkenworthy.
Dependent labor force:	Ebbinghaus & Visser (2000), Golden, Lange & Wallerstein (1997b).
Financial openness:	Provided by Dennis P. Quinn. Presented in Quinn & Inclán (1997).
Foreign direct investment:	IMF, *Financial Statistics* (various years).
Government partisanship:	Data and codebook on government partisanship available at http://www.ipw.unibe.ch/mitarbeiter/armingeon/Armingeon Klaus/cpd.
Government service sector:	OECD, *Labour Force Statistics* (various years).
Gross domestic product:	IMF, *Financial Statistics* (various years).
Inflation:	IMF, *Financial Statistics* (various years).
Service sector:	OECD, *Labour Force Statistics* (various years).
Strike volume:	International Labor Office, *Yearbook of Labour Statistics* (various years).
Unemployment:	OECD, *Labour Force Statistics* (various years).
Union density:	Data on net union density – union members, excluding the unemployed, self-employed, and pensioners, as a fraction of wage and salary earners – are taken from Ebbinghaus & Visser (2000), complemented by OECD, *Statistical Compendium*.
Union workplace access:	Kjellberg (1983:202); Kjellberg (1997:26); Ebbinghaus & Visser (1999:146–147).
Wage inequality:	OECD (1996), complemented by data from Jonas Pontusson.