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International Political Science Review 2009 30: 141

DOI: 10.1177/0192512109102433

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The Politics of Tripartite Cooperation in New Democracies: A Multi-level Analysis

JOSE ALEMAN

ABSTRACT. The literature on labor politics explains cooperation among unions, employers and state representatives in new democracies as a function of alliances between politically influential unions and left governments. This article introduces an original dataset of labor agreements in new democracies (1994–2004). Using Boolean analysis, it shows that while left governments are typically associated with more labor market regulation, they are not sufficient for social pacts to emerge in new democracies. Instead, protective labor market institutions and practices explain most instances of cooperation. Further analysis reveals this to be the case for all types of pacts analyzed.

Keywords: • new democracies • QCA • labor politics • political economy
• corporatism

In the last two decades, practices of worker representation have undergone important changes. These changes have coincided with the advent of democratic regimes around the world. In eastern Europe, much of Latin America, and parts of Africa and Asia, organized labor participates in the formulation and implementation of economic and social policies (Ishikawa, 2003). What these experiments with concerted policymaking have in common is the expectation that “social dialogue ensures a degree of social peace and progress that can set the stage for healthy economic growth” (Trebilcock, 1994: 33).

Students of advanced industrialized democracies have stressed the contribution of social dialogue to macroeconomic performance and social stability, particularly in the reform and reorganization of labor market policies and institutions (Regini, 2003: 258; Siegel, 2005; van Waarden and Lehmbbruch, 2003). Although pact making has been extensive and prominent in new democracies, however, little is known about the conditions leading to its success.

The International Labour Organization (ILO) maintains that social dialogue has enabled new democracies to maintain social cohesion and made possible much

needed economic reforms (ILO, 1997). According to some scholars, however, tripartism has advanced the interests of employers and governments, not necessarily those of workers (Ost, 2000). Others claim that more important factors, such as ties between left governments and trade unions, explain patterns of social cooperation in new democracies.¹

The contributions of this article are then twofold. First, I introduce a database of pacts among unions, employers, and government representatives in new democracies (1994–2004). This represents the first systematic attempt to collect and analyze pact making events in this important group of countries. The data provides a firm empirical referent for a phenomenon extensively discussed but seldom analyzed systematically by students of labor politics and comparative political economy.² The article then weighs the contribution of four sets of conditions to the development of tripartite cooperation in new democracies: the regulation of the wage setting process, the regulation of the employment process, the presence of a left government, and the presence of an encompassing labor organization.

A new dataset on social pacts (N=78), then, forms the backbone of this article, which is organized as follows. First, I discuss the literature on social cooperation in new democracies. While left governments and encompassing trade unions increase labor's propensity to cooperate, I explain why social cooperation is more frequently obtained in a regulated labor market. Next, the effects of labor market regulation, government partisanship, and labor power are explored using Boolean analysis. The analysis demonstrates that higher levels of employment regulation are sufficient for social pacts to emerge in new democracies, while left governments and encompassing labor organizations are neither sufficient nor individually necessary. The implications derived from this analysis are confirmed for each of the three types of pacts examined.

Industrial Relations after the Third Wave: the Existing Literature

Pact making in new democracies became a common occurrence following the explosive rise in the number of countries transitioning to democracy (Doorenspleet, 2005). All central and eastern European countries, the last region to transit towards democracy, have managed their transition from socialist to market economies through tripartite social dialogue (Borisov and Clarke, 2006). Social dialogue has featured prominently in the reform and reorganization of labor market policies and institutions in Latin America (Cook, 2007: 11). Examples of African and Asian countries featuring peak level dialogue among the social actors include South Africa, the Republic of Korea, and the Philippines (Ishikawa, 2003).

The literature on comparative political economy, however, stresses the challenges globalization poses for traditional forms of regulation and control over labor markets. Bargaining decentralization, which some attribute to increased competition, has undermined workers' collective voice (ILO, 2004: 244–5). Changes in labor contracts and the diversification of types of contracts have been the main objectives of reforms in many countries.³

Both tripartite institutions and labor market regulations share the purpose of containing the risks arising from the “commodification” of labor (Esping-Andersen, 1990). The added advantage in the case of tripartism is that it can engender solidarity among the social actors. One arena in which consultation and dialogue have played prominent roles in recent years is the reform of welfare policies and

institutions. According to students of labor politics, social pacts are the most appropriate form of cooperation because they enable actors to concert their strategies across policy fields (Brandl and Traxler, 2005: 637). These pacts can deliver higher employment, more wage moderation, and higher welfare obligations than are otherwise possible to attain (Ebbinghaus and Hassel, 2000; Regini, 2000; Rhodes, 2001).

In agreeing to a pact, workers consent to deploy their labor in exchange for their employers' promise to invest some share of their profits. Following Przeworski (1985), it can be argued that two factors affect the ability of workers to opt for such a compromise: the wages they expect in the future if the compromise holds, and the risk that the compromise will not hold. Because workers cannot be certain that the deal will hold, they tend to discount the future. Hence, their behavior depends on the likelihood that employers will observe the terms of compromise if one were to be concluded. Just as workers can withhold their labor and strike, employers can withhold their profits and disinvest. The degree of risk borne by employers depends in part on the rigidity of their wage and other commitments. If the wage bill can be reduced when times are bad, much of the risk is borne by workers.

It is important to examine then what factors increase the probability that both workers and employers will deploy their respective assets while deferring some wages and profits for future consumption. Since both employers and unions are vulnerable to the logic of competitive defection (Przeworski, 1985: 182–97), resource mobilization theories have tended to emphasize the importance of monopoly representation of employer and worker organizations (Olson, 1982). Left partisan control over the government also factors in as a consideration. The close nexus between left governments and Keynesian coordination reflected one specific variety of macro-concertation (Siegel, 2005: 109; Traxler, 2003). Keynesianism aimed at an explicit coordination between monetary, fiscal, and wage policy (Hassel, 2003). With full or nearly full employment, governments could reward wage restraint on the part of workers, leading to policies that expanded the social wage (as nonwage benefits tend to be referred to).

One of the earliest studies of the determinants of social cooperation in new democracies asked whether the combination of labor's organizational strength, labor's presence in the cabinet, a small open economy, and full employment at the time of bargaining resulted in a social pact (Blake, 1996). Blake defined a social pact as the presence of a tripartite national wage agreement in a given country-year (Blake, 1996: 41). A country could either experience a pact in a given year or not.

The study was limited to five countries – Argentina, Brazil, Chile, Spain, and Uruguay – and in each case it covered the first five years after the transition to democracy. More importantly, in 60 percent of the cases none or only one of the four conditions thought to lead to the conclusion of a social pact was present (Blake, 1996: 42). Blake's most striking finding is that pacts occurred only in one nation, Spain, and only when they should not have occurred, that is, when none of the hypothesized facilitating conditions were present.

In recent years, theories of party–union ties have provided an alternative explanation of social cooperation in new democracies. These theories see government–labor cooperation as a function of two variables: union competition and partisan competition (Levitsky and Way, 1998; Murillo, 2000: 135–74; Murillo, 2001; Robertson, 2004: 253–72). There is a subtle difference in how these two variables are conceptually related, that is, whether union fragmentation implies different confederations naturally seek alliances with competing political parties

(Robertson, 2004), or whether the relevant unit of analysis is the sectoral level within a single labor confederation (Murillo, 2001: 11–12).⁴ Nevertheless, when these two variables are combined, what emerges is a remarkably similar argument.

When one union organizes all workers and is affiliated with the governing party, partisan loyalty facilitates cooperation and union monopoly boosts the bargaining power of the union. This situation is characteristic of countries where unions are encompassing and closely integrated into left political parties. When different unions affiliated with the governing party compete, though there may be considerable grass-roots unrest such as spontaneous protests and wildcat strikes, union centrals do not compete vigorously with one another to challenge the government.

Where industrial unions within a single federation are allied with competing leftist parties, the tendency is for unions to cooperate with their allies when they are in power and to be militant when their political opponents are in power. Finally, in countries where (left) partisan and union competition is intense, political coalitions between unions and political elites are fragile. This results in a very conflictual pattern of industrial relations.

Levitsky and Way (1998) similarly emphasize the importance of union centralization and links to party-controlled resources in their examination of labor-backed adjustment in Poland and Argentina. The public sector is a sizable contributor to employment and consumption in many emerging and developing economies. Unions with ties to the government tend to be not only politically but economically influential in many new democracies. While appealing, however, these studies base their conclusions on a small group of cases. Murillo uses three Latin American countries with similar corporatist traditions – Venezuela, Argentina, and Mexico; Robertson relies on three post-communist cases (Poland, Bulgaria, and Russia), Spain, and Argentina.

Blake (1996) showed that the conditions thought to promote pacts rarely obtained in his cases and that pacts also rarely appeared amid such conditions, among them a leftist political apparatus in government with ties to a centralized labor organization. In other ways, however, Blake's analysis raises additional questions, some of which relate to his conceptualization and operationalization of social pacts and, more importantly, to the conditions that are thought to bring them about. First, pacts can take on many forms, including the national tripartite wage pacts Blake examined. Important as wages are as markers of labor market outcomes, social pacts can be more or less encompassing in terms of the functional areas covered, and more or less explicit in the guidelines they provide for implementation.

The Politics of Social Cooperation in New Democracies

The discussion so far highlights a fundamental problem workers and employers confront: both are locked in a prisoner's dilemma situation in which defection is the dominant strategy. Just as unions face the prospect of "wildcat cooperation" (Blake, 1996; Streeck, 1984: 296–7), each firm faces the danger that others will free ride on the costs of compromise. A fundamental insight of the literature on industrial relations is then that while social dialogue can become routinized, social pacts are always in danger of being flouted due to economic fluctuations, domestic and international competition, and technological change, among other things. Increased dialogue and consultation in the labor market arena, moreover, have

been accompanied in recent years by a general flexibilization of labor market policies and institutions in the developing world (ILO, 2004: 19).

In this situation, it can be shown that labor market regulations bind employers to particular levels of wage and employment provision. In the short term, more regulation may increase wages and other benefits above prevailing market rates. Employers, however, may trade higher earnings in the short term for the social peace necessary to generate steady profits later. By bringing labor costs in line with economic conditions, wage and employment flexibility ultimately undermine labor's willingness to cooperate with employers (and by extension the government). As a result, regulations that safeguard the employment and wage opportunities of workers are more conducive to social cooperation in new democracies.

Social pacts contain an implicit class-specific bias (Przeworski, 1985; Brandl and Traxler, 2005: 637). As has long been recognized, labor has no reason to agree to a pact in which wage moderation is the main objective of employers and/or governments. This insight, which is typically derived from incomes pacts, is even more useful in examining other pacts in which wage moderation is a precondition for expanding the "social wage." Since the 1980s, pacts have broadened from issues of pay determination and macroeconomic policy to questions of labor market policy and social charges (Rhodes, 2001: 178). Even when a pact does not require an upfront concession by labor, the benefits may appear hypothetical and long term whereas the costs are immediate and real. This asymmetry predisposes labor toward noncooperation (Buchanan, 1995).

Most explanations relying on resource mobilization theory assume that voluntary cooperation becomes the equilibrium strategy in repeated, iterated games (Axelrod, 1984) in which peak level associations can speak for all involved. A mediating third party is also considered vital, as governments can lend their prestige and credibility to employer proposals and commitments (Blake, 1994: 388). Left governments are typically associated with more protective labor market regulations (Botero et al., 2004). While there is evidence of a more regulatory bent on the part of left governments in Latin America (Murillo, 2005; Pagés, 2004: 67), governments have also opted for more flexible labor market policies (ILO, 2004: 140; Tokman, 2002).

As a result, alliances between left parties and organized labor and the role these alliances play in shaping the preferences of both actors have weakened in recent years in many new democracies (Burgess, 1999, 2004). In the fluid economic and political circumstances prevalent in most new democracies then, employment and wage regulations render employers more constrained in their behavior, lowering mutual uncertainty. In so doing, they lay a foundation for enduring class compromises. In the following section, I describe an original database of social pacts in new democracies that will be used to test these arguments.

A Database of Social Pacts in New Democracies

To create a database of social pacts, I selected the following keywords from the secondary literature: "social dialogue," "social concertation," "tripartite concertation," "wage agreement," "national wage agreement," "social pact," "wage pact," "incomes pact" and "unions," and "pact." After defining the target population using Polity's democracy and durability measures (Marshall and Jaggers, 2002), I searched the Factiva news service for articles pertaining to the topic. Since data for the causal

conditions tested is available from 1994, cases that pre-date this year were discarded. When a wage agreement or pact covered more than a 12-month period, only one observation was recorded in the dataset.⁵ All together, 78 instances of consummated social pacts, most of them covering a 12-month period, were recorded.

One can then ask whether high wage regulation, high employment regulation, a left government, and a cohesive labor organization, separately or in various combinations, result in a social pact. In some countries, pacts have been used to bring about reforms in the statutes governing employment and wage regulations. In most cases, wage and employment regulation tends to change little over time. The question of why some countries have more strict regulations than others, however, is beyond the scope of this article, which is concerned with the contemporaneous effects of these and other causal conditions on the likelihood of social cooperation.

To analyze the effect of these factors on social cooperation, I rely on fuzzy-set Qualitative Comparative Analysis (fs/QCA). Qualitative Comparative Analysis is an attempt to catalog the ways in which causal conditions, alone or in combinations, give rise to the outcome observed. In case-oriented comparative research, causal conditions may be necessary but not sufficient, sufficient but not necessary, or necessary and sufficient with respect to the outcome. In addition, conditions may be INUS – i.e. causes which are insufficient but necessary parts of a condition which is itself unnecessary but sufficient for the result (Mackie, 1965: 246). The existence of various combinations of the independent variables leading to the realization of the dependent variable is what qualitative methodologists refer to as equifinality of outcomes (Ragin, 2000).

As a form of Boolean logic then, QCA formalizes the investigation of necessary and sufficient causation embodied in case-oriented comparative research. While QCA only allows binary variables, its fuzzy-set variant (fs/QCA) makes it possible to examine continuous and interval-scale variables. The use of fs/QCA begins with the calibration of independent variables or causal conditions into sets. To carry out analytical operations with fuzzy sets, some cases have to be considered more “in the set” than others. Cases with a score between 0.5 and 1 are typically considered “more in the set” than out, whereas cases with a score between 0 and 0.5 are considered “more out of the set” than in; 0.5 constitutes the cross over point where maximum ambiguity regarding whether a case is more “in” or more “out” of a set exists.

Following this logic, a variable or causal condition is considered sufficient if it alone can generate the outcome of interest in a significant number of cases. On the other hand, if a variable is found in nearly all causal combinations in a QCA, it is considered necessary. From this elaboration of causation, it follows that political alliances between left governments and trade unions can only be considered sufficient for social cooperation in new democracies if individually they do not combine with other variables. If other causal combinations are present, moreover, they would not account for most instances of social pacts.

A coding procedure should then be designed where various forms of social pacts (tripartite and bipartite wage pacts, agreements on social policy, government–union pacts, and so on) rank highest in their degree of membership in the set, with routine forms of collective bargaining ranking lowest. At one end of the spectrum of membership in the set, social dialogue and tripartite policymaking result in or have the potential to forge a consensus over the formulation and implementation of socioeconomic policies (Siaroff, 1999: 176); at the other end,

labor market outcomes are the product of multiple and fragmented interactions, each representing few actors and/or small slices of the economy. Following the principles of fuzzy-set analysis, the following scores were assigned to the outcome variable:

- 1: a tripartite agreement is concluded covering more than one functional area of socioeconomic policymaking. This may or may not include a concrete agreement on wages/wage increases, but the social partners signal their intention to cooperate on multiple issue areas. These pacts emphasize a range of issues such as promoting competitiveness, stable employment and social cohesion,⁶ protecting and training the unemployed, guaranteeing safety in the work environment, improving social protection, health care and education, or creating social insurance legislation.⁷ While these agreements can be quite comprehensive in their scope, they tend to be sporadic and harder to judge in terms of implementation.
- 0.8: a national tripartite wage agreement is signed, whether for the current or following year(s). If wage agreements are equally encompassing but exclude government representatives (Spain 2001, 2003), the same score is given. A country receives this score whether or not all union confederations sign the agreement. When one organization votes against a particular agreement but the national tripartite body approves it, the same rule applies.⁸ Finally, when agreements cover the minimum wage or minimum wages are used as a benchmark for wages in the rest of the economy, this is also taken to mean that a national tripartite wage agreement has been signed.⁹ The slightly lower score wage pacts receive denotes their more limited scope.
- 0.6: this score is reserved for three types of agreements: bilateral or trilateral agreements concerning the salaries paid to public sector employees (e.g. Turkey 1997, 2001–2), pacts between the government and politically influential unions (e.g. Argentina 1997, 2000), and pacts concerning an issue other than wages. The score indicates that, in their degree of membership, pacts between governments and unions or pacts covering the wages of public sector employees are more “in” than “out” of the set of social dialogue, but not as influential as tripartite national wage agreements or comprehensive labor market agreements.

The database of social pacts in new democracies excludes routine labor legislation, even if this legislation is the product of a transitory period in which a serious attempt is made to consolidate democratic labor relations. In a similar vein, sectoral collective bargaining agreements were excluded on grounds that they have a lesser macroeconomic impact or are not regularly reported in the news media. These agreements can be seen as belonging to the set of “social pacts,” but their effects are felt less strongly than their more encompassing counterparts. Their frequency and coverage for a specific country, moreover, are extremely variable. In their breadth and scope, comprehensive labor market agreements, tripartite wage pacts, and other bilateral agreements send strong signals to domestic and international audiences about a country’s political process and the quality of its industrial relations.

Finally, pacts reached with the sole purpose of ending a general strike were also excluded from the dataset. Some examples include agreements concluded in the 1990s in Bolivia, Honduras, and Venezuela between the government and

politically influential unions. By limiting the dataset only to the most conspicuous instances of compromise among the social actors, the analysis avoids the problem of endogeneity with outcomes that may themselves be a function of the causal conditions.

Cases where bargaining broke down or where it was not attempted were not included in the dataset since negative cases are not as uniformly covered in the press. Their inclusion would make it difficult to distinguish between genuinely negative cases and cases where bargaining and consultation did not take place. Their omission, however, does not bias the analysis since its objective is to assess necessary and/or sufficient conditions (Bennett and Elman, 2006: 462). Since the goal is not to estimate independent, average statistical effects (Ragin, April 18 2007, personal communication), the analysis can be construed as more appropriately explaining levels of pacts as opposed to their occurrence.

In fs/QCA, a high degree of membership in a set is equivalent to presence of an attribute. This is denoted with uppercase letters. For example, membership in the “Employment regulation” set can be denoted as E, with W denoting membership in the “Wage regulation” set, L membership in the “Left government” set, and P membership in the “Labor power” set. Lowercase letters denote the absence of the attribute (and hence nonmembership in the set). A model in which all causal conditions are thought to be sufficient for the outcome to materialize could be loosely specified as follows.

$$E + W + L + P \rightarrow \text{PACT}$$

In Boolean algebra, the “*” (sometimes omitted) symbolizes the logical operator “AND,” “+” the logical operator “OR,” and “→” is used to denote a causal relationship.

Analysis of Causal Conditions

The ILO has compiled a global database on socioeconomic security (SES) for 99 countries. The database identifies seven forms of security associated with work (ILO, 2004: 14). Three types of indicators – input, process, and output – are constructed for these forms, and indexes provided for these indicators (ILO, 2004: 51). Depending on their scores, countries are then classified into four categories: Pacesetters, Pragmatists, Conventionals, and Much-to-be-done. “Pacesetters” are the best performers, “Much-to-be-done” countries the worst.

While ideal for the question at hand, this data is available for only one year (1999). Two of the indexes, however, are selected for comparison with the labor market regulation indicators used in the analysis, which are derived from the Economist Intelligence Unit (EIU) Market Indicators and Forecasts database.¹⁰ The first indicator, the “Extent of wage regulation,” reflects how effectively the government and other instruments of regulation (as opposed to the market) determine the prevailing wage rate. Accordingly, 1 denotes a situation in which governments set the wage rate and 5 its opposite, when wages are determined exclusively by supply and demand.

Similarly, the indicator used for employment regulation, “Restrictiveness of Labor Laws,” reflects the regulatory environment for hiring and firing workers. It is also derived from the EIU and coded on a 1 to 5 ordinal scale, where 5 denotes an absence of employment protections and 1 a situation in which it is very difficult

for employers to lay off workers or hire new ones. As discussed below, EIU scores are better indicators of the strictness of labor market regulations as opposed to their implementation.

The validity of the EIU measures can then be assessed using two of the indexes contained in the SES database: the Employment Protection Security Index (EPSI) and the voice Representation Security Index (RSI). EPSI takes into account policy commitments made by governments, existing institutions or mechanisms designed to give effect to these policies, and actual levels of employment security (ILO, 2004: 160–2). RSI measures the protection of collective voice in the labor market (ILO, 2004: 14).

With respect to the EPSI, a scan of the available data reveals that only 16 countries come out as “Pacesetters.” Since all of them (with the exception of Mauritius) are located in western Europe, only three new democracies belong in this category: Portugal, Spain, and Greece. We should expect these countries then to have high EIU employment regulation scores. While less protective than the above group, a number of new democracies are labeled “Pragmatists”: Argentina, Bulgaria, Korea, Mexico, and South Africa. According to the EIU dataset, Argentina, Greece, Korea, Portugal, and South Africa (for five years) have employment regulation scores of 2. Bulgaria, Mexico, and Spain have scores of 3.

Chile and the Philippines have low EPSIs and are thus included in the category of “Much-to-be-done” countries. Similarly, the EIU gives them a score of 4 for most years. The average EIU score for the remaining countries, which belong to the category of “Conventionals,” is 3.2. While the correspondence between the EIU scores and the SES categories is not exact, most countries are similarly ranked in both datasets. A few discrepancies notwithstanding, the EIU and the SES databases substantively agree on the classification of a majority of countries.¹¹

Turning to the second indicator, a comparison of the RSI and the “Extent of wage regulation” measure reveals less congruence. Most countries that experienced social pacts have EIU scores of 3 and 4. Only South Africa and Ukraine (for the last five years in the series) have scores of 2. Yet four countries – Bulgaria, Portugal, South Africa, and Spain – are classified as “Pacesetters” in the SES database (ILO, 2004: 272). There is, however, an important difference between these measures. High regulation in the EIU dataset refers to the tendency to enforce a strict minimum wage, extend collective agreements to third parties, and allow unions the right to strike, among other provisions that make wages more rigid.

Using information on the type of unions allowed by legislation, the existence and coverage of a law on collective bargaining, the percentage of those employed covered by collective agreements, and the share of employees in total employment, the RSI also taps into the rigidity/flexibility of the wage setting environment. The index, however, also includes information on unionization rates and changes in these rates during the 1990s, on respect for civil liberties, on the presence of a national tripartite council, and on whether several international conventions on workers’ rights have been ratified (ILO, 2004: 269–70).

As such, RSI is not simply a measure of the regulation of the wage setting process, but also an indicator of the extent of monopoly and institutional representation of workers. Nevertheless, some similarities emerge when one compares the RSI and the “Extent of wage regulation” measure. For example, South Africa has an EIU score of 2 for more than five consecutive years. In the SES database, it is also classified as a “Pacesetter” (ILO, 2004: 249).¹²

In constructing fuzzy-set membership scores then, the range of values observed should be considered and corresponding measures calibrated. For the variables Employment and Wage regulation, 2, 3, and 4 are the only values observed. Since their averages are respectively 2.8 and 3.38, the following scores were assigned to both the Employment and the Wage regulation (E and W) sets:

- .9 corresponds to a value of 2 in the original variable. In our population of cases, 2 denotes a high level of regulation or cases that are “rather regulated.”
- .6 reflects a value of 3 in the original variable. This corresponds to a moderate level of regulation.
- .3 reflects a value of 4 for the original variable. In our population, it corresponds to a low level of regulation.

To test for the presence of alliances between influential political parties and unions, a measure of government partisanship was created. The number of cabinet seats held by left parties is typically the raw material from which the degree of left government partisanship is derived in research on advanced industrialized democracies. Since this data is not readily available for new democracies, I rely on the partisanship of the chief executive as coded in the Database of Political Institutions (Beck et al., 2001): The variable receives the following values: Right (R); Left (L); Center (C); and Not applicable (0). In assigning set theoretic scores, countries with conservative chief executives receive a fuzzy score of 0, those with left executives a score of 1, and those with centrist and nonpartisan executives a score of .5.¹³

With respect to the construction of a labor power measure (P), I collected information on the relevant number of national confederations or trade union centers for each country (see Appendix A). In many countries, more than two union centers exist but only one or two effectively organize most of the active labor force. To remain as faithful to the literature as possible, the degree of conflict between competing union centrals was also assessed using the secondary literature.¹⁴ Countries with one peak trade union confederation received a fuzzy score of 1, indicating that these cases are as close as possible to the idea of an encompassing trade union organization.¹⁵

Countries where two peak federations compete for workers' allegiance received a fuzzy score of .7 if their relationship can be construed as competitive, and .4 if their relationship can be characterized as conflictual. In most countries with two trade union centers, the existence of dual organizations is itself a cause for fierce inter-confederal rivalries (Bulgaria, Korea, Poland, Portugal, and Spain). The score of .4 indicates then that these cases are far from representing “cohesive labor organizations.” Finally, countries with three or more national trade union centers (Hungary, the Philippines, and Romania) were given a fuzzy score of .1. This score indicates that these labor movements are almost certainly fragmented. Appendix A provides a list of the most relevant union confederations by country, followed by summary measures of union membership represented by these confederations (1993–2003).

Table 1 presents the list of cases (country and year) and their fuzzy-set scores on the variables Pact (PACT), Wage regulation (W), Employment regulation (E), Left government (L), and Labor power (P). As we would expect, the correlation between the Left government set and the Employment regulation set is positive but not high (0.13), whereas the correlation between the Left government set and the Wage regulation set is even smaller (0.02).

TABLE 1. *Database of Social Pacts in New Democracies*

Country	Year	Pact	Wage regulation	Employment regulation	Left government	Labor power
Argentina	1994	1	0.6	0.9	0	1
Argentina	1997	0.6	0.6	0.9	0	1
Argentina	2000	0.6	0.3	0.9	0.5	1
Bulgaria	1994	1	0.6	0.9	0.5	0.4
Bulgaria	1995	0.6	0.6	0.9	0.5	0.4
Bulgaria	1997	0.8	0.6	0.9	0	0.4
Bulgaria	1998	0.6	0.6	0.6	0	0.4
Bulgaria	2000	0.6	0.6	0.6	0	0.4
Bulgaria	2002	1	0.6	0.6	0.5	0.4
Chile	1994	0.6	0.6	0.3	0	1
Czech Republic	1994	0.8	0.6	0.6	0	1
Greece	1994	0.8	0.3	0.9	1	0.7
Greece	1996	0.8	0.3	0.9	1	0.7
Greece	1998	0.8	0.3	0.9	1	0.7
Greece	2000	0.8	0.3	0.9	1	0.7
Greece	2002	0.8	0.3	0.9	1	0.7
Greece	2004	0.8	0.3	0.9	1	0.7
Hungary	1994	0.6	0.3	0.6	0	0.1
Hungary	1995	0.8	0.3	0.6	1	0.1
Hungary	1996	0.8	0.3	0.6	1	0.1
Hungary	1997	0.8	0.6	0.6	1	0.1
Hungary	1998	0.8	0.6	0.6	1	0.1
Hungary	2003	0.8	0.6	0.6	1	0.1
Korea	1994	0.8	0.3	0.9	0	0.4
Korea	1998	1	0.3	0.9	0.5	0.4
Korea	2000	0.6	0.3	0.9	0.5	0.4
Korea	2004	1	0.3	0.9	0.5	0.4
Mexico	1998	0.8	0.3	0.6	1	0.7
Mexico	1999	0.8	0.3	0.6	1	0.7
Mexico	2000	0.8	0.3	0.6	1	0.7
Mexico	2001	0.8	0.3	0.6	0	0.7
Mexico	2002	0.8	0.3	0.6	0	0.7
Mexico	2003	0.8	0.3	0.6	0	0.7
Mexico	2004	0.8	0.3	0.6	0	0.7
Philippines	1998	1	0.6	0.3	0.5	0.1
Philippines	2004	1	0.6	0.3	0.5	0.1
Poland	1994	0.8	0.6	0.6	0.5	0.4
Poland	1995	0.8	0.6	0.6	0.5	0.4
Poland	1996	0.8	0.6	0.6	1	0.4
Poland	1997	0.8	0.6	0.6	1	0.4
Poland	1998	1	0.6	0.6	1	0.4
Poland	2001	0.6	0.6	0.6	1	0.4

(TABLE 1 continued)

(TABLE 1 continued)

Country	Year	Pact	Wage regulation	Employment regulation	Left government	Labor power
Poland	2003	0.6	0.6	0.6	1	0.1
Portugal	1996	0.6	0.3	0.9	1	0.4
Portugal	1997	1	0.3	0.9	1	0.4
Portugal	1998	0.6	0.3	0.9	1	0.4
Portugal	1999	0.6	0.3	0.9	1	0.4
Portugal	2001	1	0.3	0.9	1	0.4
Romania	1995	0.8	0.6	0.9	0.5	0.1
Romania	2001	0.8	0.6	0.6	1	0.1
Romania	2002	0.8	0.6	0.6	1	0.1
Romania	2004	0.6	0.3	0.3	1	0.1
Russia	1994	0.8	0.6	0.6	0.5	1
Russia	1995	0.8	0.6	0.6	0.5	1
Russia	1998	0.8	0.6	0.6	0.5	1
Russia	1999	0.8	0.6	0.6	0.5	1
Russia	2001	0.8	0.6	0.3	0.5	1
Russia	2004	0.8	0.6	0.3	0.5	1
Slovakia	1994	0.8	0.6	0.3	1	1
Slovakia	1995	0.8	0.6	0.6	1	1
Slovakia	1996	0.8	0.6	0.6	1	1
Slovakia	2000	0.8	0.6	0.6	0.5	1
Slovakia	2003	0.6	0.3	0.3	0.5	1
South Africa	1997	0.6	0.9	0.6	1	1
South Africa	2002	1	0.9	0.9	1	1
Spain	1996	0.6	0.6	0.6	1	0.4
Spain	1997	1	0.6	0.6	0	0.4
Spain	1999	0.6	0.6	0.6	0	0.4
Spain	2001	0.8	0.3	0.6	0	0.4
Spain	2002	0.6	0.3	0.6	0	0.4
Spain	2003	0.8	0.3	0.6	0	0.4
Spain	2004	1	0.3	0.6	0	0.4
Turkey	1997	0.6	0.6	0.3	0	0.1
Turkey	2001	0.6	0.6	0.6	1	0.1
Turkey	2002	0.6	0.6	0.6	1	0.1
Turkey	2003	0.6	0.6	0.6	0.5	0.1
Ukraine	1995	0.8	0.6	0.6	0.5	1
Ukraine	1997	0.8	0.6	0.6	0.5	1

Most regions of the world are represented in Table 1: 2 cases belong to Africa, 11 to Latin America, 55 are located in Europe and Eurasia, and 10 in Asia and the Middle East. Many eastern European countries in particular achieved pacts in consecutive years. From Table 1, it is also apparent that national wage agreements dominate, with 36 cases (or 46.2 percent of the total), followed by comprehensive

social pacts (20 cases or 25.6 percent of the total). Bipartite agreements or single-issue tripartite agreements constitute 22 cases (or 28.2 percent of the total).

For the analysis of causal conditions, I rely on the Truth Table algorithm (Ragin, 2005). In our case, with four causal conditions, the possible number of combinations of these conditions is 2^4 (or 16). A case's degree of membership in a causal combination is determined by its lowest component membership score (Ragin, 2000). How closely each case approximates the subset relation of interest can be calculated as the proportion of cases in which the score on the outcome is at least as high as that of the lowest scoring causal factor in the combination being tested.

In the next step of the analysis, all fuzzy sets are converted to crisp sets. Table 2 shows the distribution of cases across the causal combinations. Specifically, the penultimate column of this table shows the number of cases present in each causal combination. Altogether, 12 of the 16 logically possible combinations of conditions are associated with at least one social pact. No empirical cases exist for the remaining four combinations.

Once a truth table has been assembled, it is transformed into a formula that describes a set of logical propositions minimally distant from the empirical data.¹⁶ The solution formula for the truth table given in Table 2 is as follows:

$$E + Wl + WP + wLp \rightarrow \text{PACT}$$

The results indicate four different paths to a social pact. The first path is through more employment regulation (E), the second through more regulation of the wage setting process in the presence of a conservative government (Wl), the third path through more regulation of the wage setting process in the presence of a more encompassing labor organization (WP), and the final path combines low wage

TABLE 2. *Truth Table Displaying Number of Cases for Each Causal Combination*

W	E	L	P	Number	Consistency
1	1	1	0	13	1.00
0	1	1	1	9	1.00
0	1	1	0	7	1.00
0	1	0	0	6	1.00
1	1	0	0	5	1.00
0	1	0	1	4	1.00
1	1	1	1	4	1.00
1	1	0	1	3	1.00
0	0	1	0	1	0.99
1	0	0	0	1	1.00
1	0	0	1	1	1.00
1	0	1	1	1	1.00
0	0	0	0	0	1.00
0	0	0	1	0	1.00
0	0	1	1	0	1.00
1	0	1	0	0	1.00

regulation with a left government and a fragmented trade union organization (wLp).¹⁷ The set-theoretic consistency of this result is 0.82.¹⁸ The coverage of PACT by the four causal conditions is 0.95, which indicates that the four terms of the solution account for most instances of social pacts contained in the dataset.¹⁹

In addition to set-theoretic consistency and coverage, two measures of fit can be defined for each component of the solution formula: raw coverage and unique coverage. The first refers to the proportion of membership in the outcome explained by each term in the solution, while the second refers to the proportion of membership in the outcome explained solely by each individual solution term. Unique coverage bears some resemblance to partial regression coefficients and hence gives some idea of the weight of particular combinations of conditions.

Table 3 reveals that employment regulation (E) alone explains approximately a fifth (22 percent) of all social pacts. Higher wage regulation (W) is not sufficient for social pacts to materialize, as this condition is seen in combination with the labor power or the left government conditions (WP + WI). While high regulation of the wage setting process (W) is present in two of the four combinations, the last causal combination featuring the left government condition (wLp) constitutes only one possible path to the realization of a social pact. Similarly, an encompassing labor organization (WP) is only present in the third combination (WP).

The significance of these results can be assessed using a simple z-test. This test evaluates the null-hypothesis that a casual combination is “usually sufficient” if a proportion of 0.65 or greater of the cases displays the hypothesized subset relationship between cause and outcome (Ragin, 2000: 111).

For the employment regulation condition, the calculation gives a z value of 4.16, greatly exceeding the 1.65 value corresponding to a one-tailed \pm of .05.²⁰ Since there are only 10 and 9 cases that exhibit the second and third combinations (WI and WP), high wage regulation is not usually sufficient for social pacts to materialize. Not only the regulatory and representational environment in which actors operate but also the institutional arena appears to affect the incidence and frequency of social pacts. The wage regulation measure derived from the EIU does not take into account the institutional setting surrounding the wage setting process (the presence of tripartite labor councils). If SES data were available in longitudinal form, it would be possible to test whether wage regulations, together with tripartite labor councils, are usually sufficient to bring about social pacts.

The last combination (wLp) provides some evidence of political alliances between left governments and politically influential unions. In our population, these alliances tend to be found in countries with (more) fragmented union organizations. This last combination, however, is seen in only eight cases.

TABLE 3. *Descriptive Statistics of Fs/QCA*

Raw unique	Coverage	Coverage	Consistency
EMPREG+	0.783871	0.222580	0.952941
WAGEREG*left+	0.314516	0.008065	1.000000
WAGEREG*LABORPOWER+	0.438710	0.008064	0.989091
wagereg*LEFT*laborpower	0.290323	0.008064	0.994475
solution coverage: 0.822581			
solution consistency: 0.947955			

Analysis by Pact

Separating the analysis by type of pact reveals that the causal conditions analyzed account for most instances of social cooperation. Accordingly, the set-theoretic coverage for comprehensive pacts, tripartite wage pacts, and bilateral/single issue pacts is 0.70, 0.76, and 0.95 respectively. The left government condition (L) is present in each of the three types of pacts coded. The same is not true, however, of encompassing labor organizations (P). Both variables combine with the employment (E) and wage regulation (W) conditions to give rise to pacts. Nevertheless, high employment regulation is either sufficient for pacts to materialize or more frequently associated with different kinds of pacts. Looking at the first category of pacts, for example, the solution formula that emerges is:

$$E1 + WE + EL \rightarrow \text{Comprehensive pact}$$

In this case, all three components appear to delineate the importance of employment regulation (E). The third solution formula accounts for the largest number of cases in this category of pacts (11 out of 14). The second solution formula signals the importance of Wage regulation in combination with Employment regulation (WE), but none of the formulas features an encompassing labor organization (P). Turning our attention to the factors that account for tripartite wage agreements, the formula that emerges is:

$$E + WLP \rightarrow \text{Tripartite wage agreement}$$

This time employment regulation appears to be sufficient for employers, unions, and governments to strike wage pacts. Indeed, the condition is present in 23 out of the 24 cases that display this type of pact. Although the combination of a left government and an encompassing union organization in the context of a regulated wage environment (WLP) also fosters cooperation, the unique coverage of the first term is 0.42, while coverage of the second is only 0.02. Once again, this indicates that employment regulation is usually sufficient to bring about social cooperation.

Finally, the solution formula that emerges for bilateral or single issue pacts is:

$$W1 + E1 + WE + wLp \rightarrow \text{Bilateral or single issue pacts}$$

The left government condition (L) appears only in one of the terms and not in combination with an encompassing labor organization. This solution formula represents 4 out of 17 cases that display this type of pact. In contrast, the third combination featuring high wage and employment regulation (WE) is present in 9 of the cases, whereas the second combination (E1) is present in 6 of the cases, and the first combination denoting the importance of high wage regulation (W1) is also responsible for 6 of the cases.

Conclusion

This article has analyzed the determinants of labor agreements in new democracies, many of which (approximately half) constitute tripartite wage pacts. While early attempts to institutionalize social dialogue in new democracies were not very

successful (Blake, 1994, 1996; Bronstein, 1995; Buchanan, 1995), this study demonstrates that new democracies have wholeheartedly embraced the practice of national, peak level negotiations involving governments, employers, and labor organizations. The analysis reveals that a great number of labor agreements are found in countries with comparatively high levels of labor market regulation, including some with right of center governments. In light of the prominence given to alliances between left governments and labor unions in the literature, this is a novel finding.

Both the combined model and models examining each type of pact have revealed that employment regulation is the primary determinant of cooperation among unions, employers, and government representatives, so much so that this condition is sufficient to engender social pacts. The literature on labor politics tends to see these regulations as subordinate to the political strategies of left-leaning parties. Murillo (2005) among others has argued that left governments use employment regulation to provide concentrated benefits to their unionized supporters. Eleven of the 55 cases showed an association between left governments and strictness of employment, but by conventional statistical standards this was not a sufficient combination.

When a representative collection of cases is taken into account, moreover, alliances between left governments and labor unions are shown to be insufficient for social pacts to emerge in new democracies. The analysis suggests then that the partisan explanation of social cooperation accounts for only a small part of the universe of labor market agreements in new democracies, and that the literature on labor politics and comparative political economy has focused on those factors that explain the least amount of variation.

The empirical analysis of labor agreements presented here suggests that as new democracies consolidate, they must address the tension “between rules that demand respect for market competition and policies that promote social solidarity” (ILO, 2004: 335). Whether the interests of unions and employers are equally served by tripartite institutions, however, merits closer attention. The literature on social and welfare policies in established democracies is split between some who argue that protective policies can mainly be attributed to the power resources of labor unions (as manifested in left parties) and others who argue that employers have played a role in developing socially progressive legislation. This study has involved employers and their preferences indirectly, mainly because little data on employer associations exists that would allow scholars to examine their behavior and preferences systematically (Pontusson, 2005: 20). By examining pact making in new democracies in relation to institutional, regulatory, and political factors, however, this study establishes a foundation on which these questions can be pursued.

APPENDIX A. *Union Membership Represented by National Confederations, 1993–2003*

Country	Abbreviation	1993	1998	2003	% change
Argentina	CGT				
Bulgaria	CITUB	65.10%	78.10%	75.70%	10.6
	CL Podkrepa	22.80%	19.90%	21.10%	-1.7
Chile	CUT				
Czech Republic	CMKOS	50%			
Greece	GSEE	67.30%	63.40%	66.00%	-1.3
	AEDDY	32.70%	36.60%	34.00%	1.3
	ASZSZ			16.00%	
Hungary	LIGA			10.70%	
	ÉSzt			9.10%	
	MOSZ			6.00%	
Korea	KCTU		418,000 ^a		
	FKTU		901,000		
Mexico	CTM		5.5 million		
	FAT		+ 2 million		
	CGT		~600,000		
Philippines	KMU				
	TUCP				
Poland	OPZZ	67.70%	61.00%	42.10%	-25.6
	NSZZ Solidarność	30.10%	36.60%	41.10%	11
	FZZ			16.80%	
Portugal	CGTP			56.00%	
	UGT			34.30%	
Romania	Meridian	1.20%	14.50%	34.10%	32.9
	Cartel Alfa	36.10%	35.50%	22.70%	-13.4
	CNSLR	38.60%	27.60%	18.10%	-20.5
	CSDR	19.60%	21.00%	14.80%	-4.8
	BNS			9.60%	
Russia	FNPR		75–98%		
Slovakia	KOZ SR	99.40%	97.30%	96.20%	-3.2
South Africa	COSATU		1.8 million		
Spain	CC.OO			45.40%	
	UGT			44.80%	
	KESK				
Turkey	DISK				
	HAK-İŞ				
	TÜRK-İŞ				
Ukraine	FPU		75–98%		

Note: ^a "Two Labor Groups Engage in War of Nerves over Membership Tallies," *Korea Herald*, April 22 2000.

Sources: European Industrial Relations Observatory Online. <http://www.eurofound.europa.eu/eiro/>. http://en.wikipedia.org/wiki/List_of_federations_of_trade_unions.

Notes

1. Przeworski argues, for example, that trade unions usually participate in social and economic pacts only if they are “strong, centralized, and politically influential. Otherwise, they have no reasons to expect that they would benefit from their underutilized power.” See Przeworski (1992: 126).
2. I could only find one published article that presented and analyzed evidence of pact making for several new democracies. See Blake (1996). For some comparative studies on the subject, see Roxborough (1992) and Przeworski (1991).
3. For important studies of changes in labor laws, see Bronstein (1995, 1997), Cazes and Nesporova (2001), Córdova (1996), and Tokman (2002).
4. This framework primarily applies to labor responses to neo-liberal reforms. Nevertheless, the approach can be extended to the analysis of labor–capital and labor–state interactions.
5. In Greece, National General Collective Agreements, which cover most of the economy for two-year periods, have been agreed to since 1994. Similarly, a General Agreement signed in December 1995 between representatives of trade unions, employers, and the government of the Russian Federation covered the 1996–7 period. Two more General Agreements covered the 1998–9 and 2000–1 periods, signed respectively on January 27 1998 and December 16 1999. The Agreement of December 20 2001 covered a period of three years. The last Agreement signed on December 29 2004 was for the 2005–7 period.
6. In the Philippines in 1998, for example, agreements on industrial peace were forged between labor and management covering 85 percent of business firms and 10 regions in the country. “‘No strike, no lockout’ adopted in 10 regions,” *Manila Standard*, October 14 1998.
7. See, for example, “Government, Unions, and Employers Sign Cooperation Agreement,” Bulgarian News Agency BTA, March 26 2002.
8. Mexican unions, for example, voted against the rise in the minimum wage for 2001 proposed by representatives of the government and employers in December 2000 in the National Commission on Minimum Wages. See “Labor-Mexico: Minimum Wage Increase Too Small to Dent Poverty,” *Global Information Network*, December 26 2000. The agreement, however, went into effect on January 1 2001. In 2001 and 2002 it was the employer representatives that judged the wage increase too high and voted against it. See “CNSM-Salarios,” *Servicio Universal de Noticias*, December 28 2001; “Aumentan 4.5% en promedio los minisalarios,” *Novedades*, December 20 2002.
9. In Mexico, for example, the National Commission on Minimum Wages (Conapros), a body comprised of representatives of state, business, and labor, votes on yearly increases in the minimum wage. Labor’s interests are represented by the Confederation of Mexican Workers (CTM), one of the world’s biggest trade unions holding approximately 55 percent of the country’s collective bargaining agreements. Minimum wages are crucial in a country in which 57 percent of workers had no social benefits, while 46 percent were employed under a verbal contract. “Minimum Wage Increase Too Small to Dent Poverty,” *Global Information Network*, December 26 2000.
10. <https://eiu.bvdep.com/version-2007316/cgi/template.dll?product=103&user=ipad dress>.
11. Spain is given an employment regulation score of 3 in the EIU dataset. It is, however, considered a “Pacesetter” in the SES database.
12. Some of the former Soviet bloc countries have low EIU scores but rank as “Conventionals” or “Pragmatists” in the SES. This stems from the fact that post-communist countries have a legacy of universal compulsory membership in unions and the ILO adjusts unionization rates accordingly. See ILO (2004: 270).
13. It is important to note that the 23 cases that have a score of .5 on the Left government (L) set are excluded from the analysis. Since the software automatically drops cases with this score, one alternative would be to assign these cases scores slightly above or below

- the .5 threshold. The raw data, however, does not allow such fine-grained calibration. In this situation, it is preferable to limit the analysis to those cases where partisanship can be validly inferred.
14. Some prominent studies consulted include Avdagic (2005); Burgess (1999, 2004); Cook (1998, 2007); Kubicek (1999); Kuruvilla and Erickson (2002); Myant et al. (2000); Murillo (2000, 2001); Nelson (1991); Robertson (2004); Royo (2002); and Zambarloukou (2006). See also EIRO online <http://eurofound.europa.eu/eiro/>.
 15. The only exception is Mexico, where the power of the country's largest confederation, the Confederation of Mexican Workers, is reduced by average union size and the presence of rival confederations active in some geographic areas. Although the CTM was one of the essential pillars of the Institutional Revolutionary Party (PRI), its influence decreased dramatically after the PRI lost the 2000 presidential elections. As a result, Mexico receives a fuzzy score of .7.
 16. This step has been automated with the Quine-McCluskey algorithm developed for computer implementation.
 17. This represents the "complex" (or detailed) solution. In our analysis no further simplification is possible.
 18. Set-theoretic consistency is a measure of the degree to which the cases sharing a given combination of conditions agree in displaying the outcome in question. See Ragin (2006: 297) for details.
 19. Set-theoretic coverage gauges empirical relevance or importance. The way the solution coverage is calculated exhibits some conceptual similarities to the meaning of the coefficient of codetermination (R^2) in regression analysis. See Ragin (2006: 301).
 20. See Ragin (2000: 111) for the precise formula needed to compute this test.

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Acknowledgments: I thank the Fordham University Political Science Department and in particular Jeffrey E. Cohen for allowing me to present an earlier version of this article. I would also like to thank Charles Ragin, Abhishek Chatterjee, Matthew Carnes, Jai Kwan Jung, and participants in the “New Empirical Applications of Qualitative Comparative Analysis” panel at the 2007 American Political Science Association annual meeting for helpful questions and comments.