

“Voters, Parties, and Social Pacts in Western Europe”

Kerstin Hamann

Department of Political Science
University of Central Florida
Orlando, FL 32816-1356
USA
Phone: 407-823-2085
e-mail: khamann@mail.ucf.edu

John Kelly

School of Management
Birkbeck College
University of London
Malet Street
London WC1E 7HX
UK
Phone: (00 44) 207-631-6646
e-mail: j.kelly@bbk.ac.uk

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I. Introduction: Two Logics of Social Pacts

Social pacts – policy agreements between governments, labor unions and sometimes employer organizations – began to emerge in many Western European countries in the 1980s. Although on the surface, these agreements seemed to bear some resemblance to the neo-corporatist arrangements of the 1970s, several features made them notable and distinct. First, they were signed in countries that did not conform to the characteristics usually identified with neo-corporatism, such as the presence of leftist governments, and strong and centralized social partners. Second, they varied significantly in their contents, including issues as diverse as wage levels, work time, labor market reform, welfare reform and training. Third, they emerged at different times in different countries, from the early 1980s in the Netherlands into the 21st century in Italy and elsewhere.¹

The most common explanations for the social pacts tend to focus on economic factors, in particular the need to control public deficits and inflation in the wake of the 1992 Maastricht criteria for European Monetary Union. Yet these explanations leave several questions unanswered. First, this common account cannot satisfactorily explain the timing of social pacts: they have been signed in many European countries well past the introduction of EMU in 1999 and the first social pacts were signed long before the EMU criteria had been established. Second, economic pressures do not easily account for many of the non-wage components of social pacts. Third, the conventional account falls short of explaining some cases. Why have governments sometimes adopted adjustment policies unilaterally when the context would have favored negotiation through social

¹ This first part of the paper summarizes the much more detailed argument presented in Hamann and Kelly (2007a forthcoming).

pacts, as in Austria? And why were social pacts adopted in countries such as Ireland, which appear to lack the institutional preconditions for pacts?

We set out to present and test an alternative and complementary explanation centering on electoral calculations by political parties in choosing pacts. We focus on the first appearance of pacts rather than on their renewal since we assume that renewal is driven by other factors, such as the success of previous pacts. According to our argument parties forge social pacts not only to deal with economic problems but also in response to political problems (see Hamann and Kelly 2005, 2007a). Economic problems may be necessary, but are not sufficient, to explain the variation in the presence or absence of pacts. Instead, our analysis focuses on governments and political parties and their role in initiating or facilitating social pacts as well as deciding against pacts. Governments can, and frequently do, choose an alternative path to adjustment by using legislative procedure that excludes unions and employers. We argue that social pacts will be attractive when party leaders perceive them to be helpful in reducing the potential electoral costs of economic adjustment and wage restraint policies. Alternatively, parties may forgo negotiations with social partners and seek to impose such policies unilaterally if they believe that approach will yield electoral gain or minimize electoral costs.

We show that in order to minimize the potential electoral costs of implementing unpopular economic and welfare policies, parties can employ several strategies, among them social pacts. Pacts can lend legitimacy to unpopular policies – and perhaps the government – by inclusion of the social partners, thus broadening the support coalition. This can also apply to minority governments or weak governments seeking support for their policies outside of parliament, or parties attempting to demonstrate their democratic

credentials, especially in new democracies. By gaining broader support for their policies, parties can attempt to minimize anticipated electoral costs.

Electoral strategies in the face of potentially unpopular policies are of particular importance given rising electoral volatility. Parties see the need to reach out to voters that did not traditionally form their core support group, and can no longer count on stable party identification as the driving force for electoral choice. Social pacts may thus present themselves as a useful strategy to seek broad support for potentially unpopular policies in an attempt to minimize the anticipated electoral costs of implementing such policies. The flipside is that parties can actively attempt to undermine pacts or negotiated solutions if evidence suggests that pacts do not produce the desired outcomes, or if a significant share of voters is opposed to pacts and consensus-based policy making.

We hypothesize that governments will be more likely to offer pacts when potentially unpopular policies are deemed necessary; when the governing party or parties are facing electoral pressures; when they believe they would incur heavy electoral costs from implementing some of their policies unilaterally; and when they believe pacts would increase the legitimacy and popularity of these policies. By combining the separate literatures on political economy and party politics we are able to shed new light on the dynamics of social pacts in Western Europe. Our understanding of governments as economic policy-makers that are also concerned with elections echoes that of other studies, which consider economic policy as an area in which governments are accountable to the electorate (e.g. Pierson 1994; Stokes 2001; Przeworski, Stokes, and Manin 1999).

II. Issues and Problems in Analyzing Social Pacts

While initial case studies (see below and Hamann and Kelly 2005, 2007a) lend support for our argument of the importance of electoral politics in explaining why some countries have negotiated pacts and others have opted for legislative action instead, a more systematic cross-national analysis requires a more systematic approach. Several issues are here of particular importance:

- The need to define a “social pact.” This might seem like an innocuous task, but a comparison of pact-studies reveals that each one uses a different universe of pacts, has a slightly different definition of what constitutes a pact, and creates different sub-categories of pacts. For example, Calmfors et al (2001: 77-8) suggest there were social pacts in Belgium 1993, Germany 1996 and Norway 1992, whereas Hassel (2003a: 709) claims there were not. Similarly, some studies look at wage pacts only (e.g. Hassel 2003b) and exclude non-wage pacts; some include failed pacts while others exclude these attempted, but ultimately unsuccessful negotiations. This lack of consistency in case selection presents a problem for cross-national analysis given the relatively small number of cases overall. For instance, if bi-partite agreements are automatically excluded from the universe of pacts, the number of cases is drastically reduced. Furthermore, the explanations presented hinge on the cases selected that are to be explained.
- The need to separate out initial pacts from repeated pacts. As briefly mentioned above, we assume that the logic for political and economic actors to engage in pacts is to some extent different for a first attempt at pacts than for the decision to repeat previous negotiations. One of those factors might be whether or not the

first pact was successful in producing the desired outcomes for all actors involved, and whether the pact was fully implemented or not. Thus, the dependent variable needs to be clearly defined.

- A somewhat different problem emerges when we consider the outcomes of pacts. Presumably, governments are interested in pacts because they produce superior outcomes, or facilitate the implementation of policies through inclusion of the social actors. This makes it difficult to judge the effectiveness of pacts in producing desired outcomes. For instance, if one of the main concerns that drives pacts is wage control, the question arises whether pacts have functional equivalents in non-pact countries so that wage movements would possibly show no differences between the two groups. Alternatively, we might expect pacts under some conditions to show superior outcomes, e.g. where pacts were sustained or wage restraint was severe.
- If we are correct in arguing that pacts have both a political as well as an economic logic, then we need to be concerned not just with the economic outcomes of pacts, but also with their electoral ramifications. Again, this is a difficult task as voters' electoral choice is motivated by many different factors, and different voters make electoral decisions based on different rationales. Consequently, it is very difficult to assess to what extent the government's policy-making style (unilateral vs. concerted) influences electoral outcomes. Furthermore, as parties are motivated by votes, office, and policies (Strom and Müller 1999), the benefits of an election for a party could be measured in various ways. For instance, a party might be interested in increasing its vote share; it may be primarily concerned with gaining

legislative seats; or it may be concerned with maximizing indirect policy influence, for instance through representation on legislative committees without necessarily gaining votes or having a sufficient share of the votes to be represented in government. Thus, measuring the electoral effects of social pacts is a task that is theoretically complex.

III. Methodological Issues: Case Selection and Research Design

Conducting a cross-national analysis of over a dozen countries poses challenging methodological and research design problems. On the one hand, we could approach the study as though it was a large-N study and employ statistical analysis of some sorts. This might, however, result in two problems. First, the range of the analysis might be limited due to the relatively small number of cases of social pacts. Second, even if meaningful statistical results can be obtained, this kind of analysis suggests correlations without necessarily providing much insight into causal mechanisms. Statistical analysis can present support for hypotheses, but does not, in and of itself, shed light on the “black box” of why political actors choose certain behaviors over others. On the other hand, we could do what many existing studies do and analyze in depth several cases that (more or less) confirm our hypotheses. This approach, while of potential theoretical interest in terms of uncovering case-specific causal relationships, does not lend itself easily to systematic comparison and testing of alternative hypotheses.

In our larger project, we opt for a combination of these approaches. While we provide overview data – both economic and political/electoral – for all Western European countries, we then proceed to test our hypothesis systematically against a set of paired

country comparisons. We chose to group countries by “type of capitalism,” a shorthand for common economic institutions that we would expect to lead to similar outcomes or behavior of political actors across the cases in each category, according to the Varieties of Capitalism literature (cf Hall and Soskice 2001). By comparing countries within distinct varieties of capitalism, we can minimize variation in economic institutions in our paired comparisons while maximizing variation in economic institutions across all of our cases.

Based on existing literature in the fields of economic institutions and welfare state regimes, we identify four varieties of capitalism: the Northern European economies, the Southern European economies, the Liberal Market economies and the Coordinated Economies of Central Europe (see Hamann and Kelly 2007b). Within each of these four varieties of capitalism we discuss one or more countries that adopted social pacts and compare with another country that implemented similar policies unilaterally in order to explore the role of electoral politics. In all cases we have matched countries as closely as possible on economic trends and problems in an effort to control for other factors.

The Coordinated Market Economies: Netherlands and Austria

Social pacts were adopted in the Netherlands from the early 1980s by a center-right government in response to rising unemployment and public debt. While economic problems were clearly present, the government’s choice of social pacts also had an electoral component as party competition became more pronounced during this time. The Wassenaar Agreement (1982) was clearly related to the need to address mounting unemployment and a growing deficit. However, the government did have the option to legislate policies that would lead to wage moderation, as it did in fact threaten to do.

Nonetheless, the government pushed unions and employers to negotiate an agreement instead. The government's choice of negotiations rather than unilateral imposition of policies reflects the fact that parties are not just economic actors, but also compete for votes. The Dutch party system had been in flux since the early 1970s, with the Christian Democrats having lost vote shares (from about 50% to a low of 32%); Labour and the conservative liberal VVD, in turn, having gained votes, and secularization had led to a decline in party identification and rising electoral volatility (Andeweg and Irwin 2005; Koole 1997). Given these dynamics in the party system, implementing wage moderation policies and welfare cuts unilaterally posed significant electoral risks for the CDA. When Labour resigned from the governing coalition in spring of 1982, the CDA was left with a minority government, and lost 3 seats to Labour in the elections a few months later. The CDA was therefore hesitant to implement economic adjustment policies, which they considered unacceptable to many CDA voters, when it formed a new government with the VVD (Timmermans 2003:91). Instead, CDA leaders encouraged the idea of a social pact when they negotiated with their coalition partner. While initially, neither employers nor unions were keen to embrace the idea, they did agree to a negotiated agreement when it became clear that the government was willing to impose economic adjustment policies if the social partners were unwilling to negotiate. Thus, the Wassenaar Agreement resulted from a need to rethink economic policies, but the fact that the policy reforms took the form of a social pact rather than unilateral government action was clearly linked to party competition and electoral concerns.

Levels of bargaining coordination and centralization similar to the Netherlands might have suggested that the center-right government in Austria would have also

pursued a social pact in order to ease implementation of its pension reforms from 2000. Austria, one of the most neo-corporatist countries in Western Europe, certainly satisfied the institutional conditions that would facilitate negotiated agreements, either through an explicit pact or through the more common bargaining within the neo-corporatist structures and policy-making bodies, as had been the tradition for decades. However, the government chose to break with the neo-corporatist tradition and instead acted unilaterally despite protests from labor unions. Similar to the Dutch case, the Austrian case is not easily explained by looking at economic pressures alone. While the government decided that the pension system was in need of a major reform, it could have used the existing neo-corporatist structures and processes to negotiate such a reform with the social partners. Why, suddenly, did the government break with this tradition in favor of unilateral legislative action? The answer can only be found if changes in electoral behavior and in the party system are considered. While the major parties, the social-democratic SPÖ and the conservative ÖVP had long been vested in the corporatist system, the newly strengthened right-populist Freedom Party (FPÖ) had actively campaigned against the system that served the interests of the two entrenched major parties. These criticisms of the system echoed the concerns of a rising share of the voters who were generally dissatisfied with the two major parties, saw the system as corrupt and were disappointed with the decline in spoils due to Austria's EU integration and global competition (Luther 1999; Luther 2000; Müller 2004; Müller, Plasser, and Ulram 2004). When the FPÖ received virtually as many votes as the ÖVP and exactly the same number of seats, the two parties formed a coalition government. From the ÖVP's view, an attack on corporatist bargaining seemed a wise move considering the electoral and government

strength of the Freedom Party and given its weakness within the coalition government (Müller and Fallend 2004).

In sum, by examining the political trajectories of the coalition partners in both countries we explain why the logic of electoral pressures led to social pacts in the Netherlands but to unilateral policymaking in Austria. Both countries are considered high on the corporatism scale (4.0 for the Netherlands and 5.0 for Austria; see Siaroff 1999: 198), yet the choice of strategy for implementing unpopular economic policies was very different. Thus, we conclude that it was political and electoral calculations that drove the behavior of the governments rather than economic pressures alone.

The Scandinavian Economies: Finland and Sweden

Faced with rapidly rising unemployment, mounting public debt and economic contraction in the early 1990s as well as strong trade unions, newly-elected center-right governments in Finland and Sweden acted in very different ways to secure wage restraint. These differences cannot be wholly explained by economic circumstances and we therefore look at the political pressures on the main parties in order to throw light on the presence or absence of pacts. Finland had been ruled for most of the postwar period by broad left-right coalitions based on a degree of cross-party consensus and a weakening of the ideological differences between parties. Governments in turn enjoyed a substantial degree of support from the main union and employer confederations. Although the new center-right coalition elected in 1991 held a majority of seats its constituent elements positioned themselves within the mainstream of pragmatic party politics. The center-right government was also concerned that unpopular policies might lead to a quick return of

the Social Democrats, which had been in office for 25 years (Kauppinen 2000; Nousiainen 2000).

In Sweden by contrast, the left-right dimension continues to be highly salient and the political system remains highly polarized. The new center-right coalition elected in that country, also in 1991, campaigned on a firm neo-liberal program and backed the employers' demands for a weakening of the union role. The main employers' organization was particularly anxious to decentralize collective bargaining to the level of the firm and would have been deeply hostile to any suggestion that bargaining should be centralized through some form of social pact. Despite its minority status the new Swedish government sought to implement its policies unilaterally and shunned social pacts (Dolvik and Martin 2000).

The Mediterranean Economies: Spain, Italy and France

The Mediterranean economies are generally characterized by high levels of state intervention in the economy and by high levels of bargaining coverage. Social pacts emerged in Spain and Italy as a mechanism for securing union support for labor market reforms yet they did not emerge in France. In Spain, pacts had been common until the mid-1980s, but then virtually disappeared for the remainder of the Socialist government; it was only in the mid-1990s when the Socialist government became electorally weaker that pacts became more visible. Pacts became even more prominent under the conservative Popular Party minority government after 1996 (see Hamann 2001). We show how pacts in Spain have had a political role since the early 1980s and were not necessarily prompted by economic factors alone. Italy, in turn, experienced a series of

pacts when the party system collapsed in the early 1990s and successive governments suffered problems of legitimacy and were weak. The trade union movement was one of the few bodies that was not tarnished by the corruption scandals that brought about the disintegration of the existing party system. As a result, governments throughout the 1990s had frequent recourse to social pacts with unions in order to bolster the legitimacy of unpopular economic and industrial relations reforms (Negrelli 2000). In France, by contrast, the political system has for many years been marked by intense competition between two party blocs, representing left and right respectively. In addition the union confederations are engaged in intense rivalry (Thiebault 2000). This combination of circumstances helps explain the absence of pacts in France compared to the other Mediterranean economies.

The Liberal Market Economies: Ireland and the UK

The liberal market economies have generally been regarded as inhospitable terrain for social pacts because of weak trade unionism, low bargaining coverage and decentralized collective bargaining systems. In addition, their emphasis on market coordination should have accommodated wage pressures, rendering active wage policies unnecessary. The emergence and apparent institutionalization of pacts in Ireland is therefore an interesting theoretical puzzle that has not yet been satisfactorily explained. The evolution of party competition, including the emergence of a new party in 1986, is critical in understanding the emergence of pacts in Ireland. The instigator of the first pact, Fianna Fail, devised an electoral strategy in late 1986 to re-position itself as a catch-all party. Neo-liberal policies were aimed to attract voters from the conservatives; labor inclusion through a social pact

was intended to attract traditional Labour supporters. We also show how the increased willingness of all parties to enter coalition governments helps explain the maintenance of social pacts through the 1980s and up to the present day (Mair 1987; Mitchell 2000). Similarly, a focus on parties and vote shifts in the UK also illustrates why social pacts were never an option that seemed to hold electoral promise even though theoretically, this option was open and the UK had experienced tripartite negotiations previously. The Labour Party had constructed its electoral appeal to a broad constituency by distancing itself from unions and its electoral victories in 1997, 2001 and 2005 reinforced this position among party and government leaders and therefore precluded Irish-style social pacts (Russell 2005). Thus, we are able to illuminate both the origins of the first social pact in Ireland, the reproduction of pacts from 1987 until the present day, and their absence from the UK (Hamann and Kelly 2007a).

In sum, our research design embraces cases where social pacts were signed as well as those where pacts have been conspicuously absent and those where other forms of concertation (e.g. Austrian corporatism) have been intentionally circumvented and weakened by governing parties. This research design sets our study apart from existing work, which tends to focus on pact countries only and which makes it more difficult to assess alternative hypotheses systematically. However, what our brief overview of case-study based findings also highlights is the fact that what we refer to as “electoral pressures” can take different forms in different countries, for the different parties in the same country, or for the same party over time, as discussed in more detail in the next section. In that section, we outline several ways in which electoral pressure or electoral

threats could be measured, and we point to potential problems in relying on these indicators.

IV. Methodological Issues: Conceptualizing and Measuring “Electoral Pressures”

The previous section provides some initial evidence for our claim that electoral considerations played a role in governments’ choices of social pacts or unilateral/legislative action. However, a larger comparative study needs to be able to measure electoral pressures more systematically. Some straightforward ways in which to assess these pressures offer themselves, such as the strength of the government or electoral volatility, indicating a fluctuating voter base. Governmental strength could be measured by the number of seats the governing party or parties held in the legislature. A minority administration, such as the 1987 Irish government, would therefore be deemed “weak” and this fact has been suggested as a major reason for its adoption of social pacts (Baccaro and Lim 2005). However, evidence from Table 1 (below) shows that pacts have been initiated by both majority and minority governments. Furthermore, the number of seats held by governing parties does not necessarily indicate governmental strength: the new Irish administration quickly secured a pledge of opposition support for its austerity program and was therefore a “minority” government only in a technical sense. Conversely, “majority” coalition governments can be weak because of inter-party divisions: Belgium, for example, had no less than five “strong”, majority governments between April 1979 and September 1981. Finally, governments can be stable and

“strong” even when they hold only a minority of seats in the legislature (Strom 1990:115-117).

Table 1 about here

We conceptualize electoral pressures as threats faced by political parties in the electoral arena. Over the past thirty years or so party identification in Western Europe has declined considerably. Declining “partisan identification” has in turn been associated with two behavioral consequences: a reduction in the level of participation in elections and an increased willingness by voters to switch their vote from one party to another at successive elections. The total number of vote switches between adjacent elections – electoral volatility – has also been reinforced by the increased availability of new parties since the 1970s and, in some countries, by the erosion of traditional electoral cleavages such as social class. All of these trends have confronted political parties with a higher level of uncertainty over the size and composition of their electoral base, an uncertainty compounded by the economic problems of the early 1990s such as rising unemployment and growing public borrowing and deficits. This approach raises the question whether we can discern a clear link between electoral pressures on the one hand and the initiation of social pacts on the other.

In fact, Table 2 suggests that a simple correlation is not immediately visible. For example, electoral volatility was higher in the 1990s compared to the 1980s in 12 out of 16 European countries and was lower in just four. Within the former group, however, six countries have seen repeated social pacts while six have not.

Table 2 about here

Our interpretation of this evidence is not that electoral pressures are unimportant but rather that volatility alone is too crude a measure to capture the threats faced by political parties. One reason is that the volatility measure conflates different types of voter switches: within “party families” (e.g. amongst Christian Democrats), between party families (e.g. Christian Democrat to Social Democrat), from “old” to “new” parties and vice versa. A second reason is that the significance of a particular level of volatility is context specific. For example, average volatility in Irish elections throughout the past twenty years has been well below the European average but the 1987 election marked a one-off rise in volatility because of the appearance in 1986 of a new political party that posed a threat to both the major parties Fianna Fail and Fine Gael.

The Austrian case presents another illustration of the problem of using volatility as an indicator of electoral pressures. If “volatility” is understood to be a sign of shifting electorates and rising uncertainty of electoral outcomes, the Austrian case suggests that this can sometimes be a misleading interpretation. Consider the 1999 election, where the FPÖ gained 26.9% of the vote, up from 21.9% in 1995 and indicative of voter shifts and high volatility (Müller, Plasser and Ulram 2004: 146). Clearly, in this case the established parties SPÖ and ÖVP were confronted with vote loss due to the rise of a third party, and a high volatility index captures this uncertainty for the two major parties well. In contrast, volatility in the 2002 election was higher still (21.1% as compared to 9.0%) and major vote shifts occurred once more. This time, however, the vote shifts resembled a “realignment” towards the two major parties, who recaptured much of the vote share lost in the previous election. Consequently, high volatility in the 2002 election did not indicate a heightened threat for the two major, established parties, but rather a reversion

to the more stable electoral situation present until the late 1990s. Volatility, then, needs to be contextualized for individual elections in order to be meaningful as an indicator of “electoral pressure.”

Thus, neither the type of government (majority, minority, coalition) nor electoral volatility alone are likely to provide systematic explanations for governments’ policy-making styles (concertation or parliamentary action) in a comparative study. Our approach to measuring electoral pressure and related party responses entails three propositions. First, electoral pressure cannot be captured by a single measure because it is multidimensional. Second, instead of talking about pressure on political parties in general terms, we need to look more closely at *which* parties are threatened and *by whom*. Third, parties under threat, whether in opposition or in government, have a degree of strategic choice in deciding how to respond to an increasingly popular rival(s) and to voter pressures.

Electoral pressure is multidimensional because parties face threats from two sets of sources: from voters whose party loyalty and willingness to vote can no longer be taken for granted; and from rival parties equally anxious to appeal to a more volatile electorate, increase their votes and secure access to political office. Voter pressures can be captured by measures of partisan identification, electoral participation and electoral volatility. Party pressures can be captured by changes over time in vote and seat shares, the emergence of new parties, the closeness of elections, the time taken to form coalition governments (the most common type of government in most of Western Europe) as well as by electoral volatility. So far as party responses are concerned there is no a priori reason to expect that a Social Democrat party threatened by Christian Democrats and

conservatives (as in Denmark in the 1980s and 1990s) will necessarily respond in the same way as Christian Democrats threatened by Liberals or the far-right (as in the Netherlands in the early 1980s). Insofar as parties still retain rather different electoral bases and are institutionally linked to different kinds of organizations in the economy and civil society (trade unions and churches, for example) their policy options in responding to electoral pressures will also differ.

Finally we assume that parties can exercise a degree of strategic choice in responding to electoral pressures. Writing about the British Labour Party in the Thatcher era, Hay (1999: 60) distinguishes a preference-accommodating from a preference-shaping strategy. The former involves a closer alignment of party policies to those of the successful rival(s) in order to accommodate the preferences of the electorate, as revealed in votes for rival party. On the other hand a party may seek to differentiate itself from its rivals by trying to construct electoral support for a distinct package of policies.

How does this framework begin to throw light on the political logic of social pacts? Broadly speaking our argument is that parties have been more likely to adopt social pacts when they have faced a combination of declining turnout, falling vote and/or seat share, significant threats from existing or new parties and difficulties in securing access to office because of lengthy coalition negotiations (see Table 2 above). In Belgium and Italy from the late 1980s, Ireland from the late 1970s and the Netherlands from the late 1960s, the ruling Christian Democrat and Centre parties had been losing votes and faced mounting competition from new and fast growing conservative and conservative liberal rivals: the Vlaams Blok in Belgium (founded in 1978), the Northern Leagues in Italy (1992), the Progressive Democrats in Ireland (1986) and the People's Party (VVD)

in the Netherlands (the only “old” party in this group of four). This electoral volatility was compounded by declining party loyalty in Ireland and Italy, by falling electoral turnout in Ireland and the Netherlands (despite compulsory voting in the latter) and by protracted and difficult coalition formation talks in the aftermath of elections that failed to produce a majority of seats for a single party (this was especially true in Belgium, Italy and the Netherlands). The response of these Christian Democrat and Centre governments to these varying pressures in Belgium and Italy (1992), Ireland (1987) and the Netherlands (1982) was to reinforce their ties to the labor movement and to seek the inclusion of unions in the implementation of potentially unpopular policies. In Norway it was the Social Democratic government that offered a social pact to the unions and like its Christian Democrat counterparts in Belgium, Ireland, Italy and the Netherlands, it had also been losing support to a new rival, the far right Progress Party. The government that first offered a social pact in 1992 was a minority administration and its parliamentary weakness was compounded by declining electoral turnout and party identification.

How does our analysis of the political logic of pacts stand up in those countries that did not introduce social pacts in the face of economic problems? The first general point to make is that electoral pressures on the major parties in these countries were often far less than in the pact countries: on average they experienced less support for new parties, lower levels of electoral volatility, less of a decline in voter turnout, and coalition formation was significantly quicker (see Table 2 above). One consequence is that governments in the non-pact countries were often more stable than those in the pact countries. Austria and Luxembourg were ruled for most of the 1980s and 1990s by Social Democrat-Christian Democrat coalitions, which enjoyed a succession of electoral

victories and repeatedly secured large parliamentary majorities. Britain (1979-98), Denmark (1982-93) and Germany (1982-98) were ruled by successful and stable conservative or conservative-liberal governments for most of this period despite falling electoral turnout in Germany and a steep decline in strong party identification in Britain and Germany. Overall, however, the decline in voter turnout in Denmark, France, Greece, Luxembourg and the UK was quite modest. In several Western European countries, Social Democrats came to power but opted *not* to pursue social pacts with the unions: Denmark 1993, Germany 1998 and 2002, Sweden 1994 and the UK 1997. In three of these cases – Denmark, Germany and the UK - the Social Democrats had responded to many years in opposition by developing programs and strategies that repositioned them as “catch-all” parties, closer in many policy domains to their dominant conservative rivals. In other words, their response to the electoral threat of successful conservative parties was to distance themselves from traditional social democratic policies in areas such as welfare spending and to weaken the traditional and influential role of unions in party and governmental policymaking. Within this new policy framework social pacts with labor unions had no obvious place.

V. Conclusions

Conventional accounts of the re-emergence of social pacts in Western Europe argue they are a governmental response to economic pressures, in particular the requirements for joining the European Monetary Union (EMU). By analyzing a number of case studies of social pacts and comparing them to similar countries that did not introduce pacts, we have tried to show the value of an alternative and complementary explanation centering on

electoral calculations by political parties in choosing pacts. Parties forge social pacts not only to deal with economic problems but also when they perceive them to be helpful in reducing the potential electoral costs of economic adjustment and wage policies.

Alternatively, parties may forgo negotiations with social partners for electoral gain. In this paper we have sketched out the way in which our analysis might be applied to pairs of pact and non-pact countries within different varieties of capitalism. In addition, we have flagged some methodological and theoretical concerns in studying social pacts comparatively. We have also sought to elaborate our reasoning about the role of electoral pressures in two ways: first, by defining what we mean by the concept of electoral pressures and how we can best measure this concept, and secondly by exploring the role of such pressures in the genesis of social pacts. Our program of detailed case study and survey research will hopefully refine and test our approach more systematically and help increase our understanding of the political, as well as the economic, logic of social pacts.

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Table 1: Government Composition and Social Pacts

| Country/ pact dates | Parties in government (number) | Date of government formation | Government status (seats in legislature) |
|--------------------------------|---|---|---|
| Belgium | | | |
| Dec 1993 | Christian Democrats/Social Democrats (4) | March 1992 | Majority 120/212 |
| 1998 | Christian Democrats/Social Democrats (4) | June 1995 | Majority 82/150 |
| 2000 | Social Democrats/Conservative Liberals/Greens (6) | June 1999 | Majority 95/150 |
| Finland | | | |
| 1991 | Centre (Agrarian)/Conservatives (4) | April 1991 | Majority 115/200 |
| 1995 | Social Democrats/Conservatives/Left /Greens (5) | April 1995 | Majority 145/200 |
| 1997 | Social Democrats/Conservatives/Left /Greens (5) | April 1995 | Majority 145/200 |
| 2000 | Social Democrats/Conservatives/Left /Greens (5) | June 1999 | Majority 141/200 |
| 2002 | Social Democrats/Conservatives/Left /Greens (5) | June 1999 | Majority 141/200 |
| Ireland | | | |
| 1987 | Fianna Fail (1) | March 1987 | Minority 81/166 |
| 1990 | Fianna Fail/Conservative Liberals (2) | July 1989 | Minority 83/166 |
| 1994 | Fianna Fail/Labour (2) | Jan 1993 | Majority 84/166 |
| 1997 | Fianna Fail/Conservative Liberals (2) | June 1997 | Minority 81/166 |
| 2000 | Fianna Fail/Conservative Liberals (2) | May 2002 | Minority 81/166 |
| 2003 | Fianna Fail/Conservative Liberals (2) | May 2002 | Majority 89/166 |
| Italy | | | |
| 1992 | Christian Democrats/Social Democrats/Liberals (4) | April 1991 | Majority 331/630 |
| 1993 | Christian Democrats/Social Democrats/Liberals (4) | April 1993 | Majority 331/630 |
| 1995 | Centre/Social Democrats | Jan 1995 | |
| 1996 | Social Democrats/Centre (4) | May 1996 | Majority 324/630 |
| 1998 | Social Democrats/Centre/Conservatives (7) | Oct 1998 | Majority 332/630 |
| 2002 | Conservatives/Christian Democrats (4) | May 2001 | Majority 355/630 |

| | | | |
|--------------------|---|----------|------------------|
| Netherlands | | | |
| 1982 | Christian Democrats/ Conservative Liberals (2) | Nov 1982 | Majority 81/150 |
| 1993 | Christian Democrats/ Social Democrats(2) | Nov 1989 | Majority 103/150 |
| 1997 | Social Democrats/ Conservative Liberals/ Liberals (3) | Aug 1994 | Majority 97/150 |
| 2002 | Christian Democrats/ Conservative Liberals/ Far Right (3) | May 2002 | Majority 99/150 |
| Norway | | | |
| 1992 | Social Democrats (1) | Nov 1990 | Minority 63/165 |
| 2001 | Christian Democrats/ Centre/Liberals (3) | Oct 2001 | Minority 34/165 |
| Portugal | | | |
| 1990 | Liberals (1) | Aug 1987 | Majority 148/250 |
| 1991 | Liberals (1) | Oct 1991 | Majority 135/230 |
| 1996 | Social Democrats (1) | Oct 1995 | Minority 112/230 |
| Spain | | | |
| 1994 | Social Democrats | Mar 1993 | Minority 159/350 |
| 1996 | Conservatives | Mar 1996 | Minority 156/350 |
| 1997 | Conservatives | Mar 1996 | Minority 156/350 |
| 1998 | Conservatives | Mar 1996 | Minority 156/350 |
| 2001 | Conservatives | Mar 2000 | Majority 183/250 |

Sources: EIRO; Fajertag and Pochet (2000); Müller and Strom (2000).

Table 2: Electoral Data and Social Pacts**Pact countries**

| | Change in strong partisan identification | Change in electoral turnout 1980s-90s % pts | Av days to form new cabinet 1945 – 1999 | Mean support 1980s new parties % votes | Mean support 1990s new parties % votes | Electoral volatility 1980s and 1990s (peaks in bold) | | | | | | |
|------|--|---|---|--|--|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | | | | | | | | |
| BEL | -0.286 | -1.4 | 37.8 | 12.9 | 23.7 | 6.9 (1985) | 16.4 (1981) | 8.8 (1985) | 4.9 (1987) | 13.1 (1991) | 6.9 (1995) | 12.4 (1999) |
| FIN | -0.147 | -7.9 | 26.9 | 13.7 | 22.3 | 10.3 (1983) | 7.1 (1987) | 12.5 (1991) | 11.5 (1995) | 9.1 (1999) | | |
| IRL | -0.807 | -5.7 | 15.7 | 7.9 | 10.0 | 9.1 (1981) | 3.5 (1982:1) | 3.8 (1982:2) | 16.2 (1987) | 7.8 (1989) | 12.2 (1992) | 9.7 (1997) |
| IT | -0.968 | -3.5 | 29.5 | 7.1 | 66.8 | 8.3 (1983) | 9.2 (1987) | 14.4 (1992) | 36.7 (1994) | 8.8 (1996) | | |
| NE | -0.129 | -7.5 | 70.6 | 44.5 | 45.9 | 8.8 (1981) | 9.4 (1982) | 10.2 (1986) | 4.7 (1989) | 21.5 (1994) | 16.6 (1998) | |
| NO | -0.280 | -6.0 | 4.2 | 15.1 | 19.7 | 11.2 (1981) | 4.9 (1985) | 16.0 (1989) | 14.9 (1993) | 16.8 (1997) | | |
| PO | n/a | -13.7 | 22.5 | Na | Na | 4.3 (1980) | 10.5 (1983) | 22.5 (1985) | 22.7 (1987) | 10.4 (1991) | 20.5 (1995) | 4.7 (1999) |
| SP | n/a | +4.1 | n/a | Na | Na | 19.7 (1982) | 12.8 (1986) | 10.0 (1989) | 11.5 (1993) | 6.0 (1996) | | |
| Mean | | -5.2 | 26.9 (Median) | 13.3 (Median) | 23.0 (Median) | | | | | | | |

Non-pact countries

| | Change in strong partisan identification | Change in electoral turnout 1980s-90s % points | Av days to form new cabinet 1945 – 1999 | Mean support 1980s new parties % votes | Mean support 1990s new parties % votes | Electoral volatility 1980s and 1990s (peaks in bold) | | | | | | |
|------|--|--|---|--|--|--|----------------|-----------------|-----------------------|-----------------------|----------------------|----------------|
| | | | | | | | | | | | | |
| AU | -0.777 | -7.8 | 37.0 | 4.1 | 11.5 | 4.6 (1983) | 6.4 (1986) | 9.8 (1990) | 15.0 (1994) | 3.8 (1995) | 9.0 (1999) | |
| DK | -0.207 | -1.2 | 8.3 | 30.7 | 24.9 | 12.5 (1981) | 10.8 (1984) | 9.1 (1987) | 6.2 (1988) | 14.6 (1990) | 10.7 (1994) | 11.9 (1998) |
| FR | -0.316 | -3.0 | 2.2 | 27.1 | 41.7 | 13.5 (1981) | 16.4 (1986) | 10.2 (1988) | 18.0 (1993) | 12.8 (1997) | | |
| GE | -0.573 | -7.4 | 20.2 | 7.5 | 13.9 | 4.5 (1980) | 8.4 (1983) | 6.0 (1987) | 11.0 (1990) | 7.8 (1994) | 8.1 (1998) | |
| GR | n/a | -1.9 | n/a | Na | Na | 26.8 (1981) | 5.7 (1985) | 8.3 (1989:1) | 4.5 (1989:2) | 3.0 (1990) | 8.3 (1993) | 5.1 (1996) |
| LUX | -0.386 | -1.0 | 24.1 | 11.5 | 22.4 | 14.2 (1984) | 15.4 (1989) | 5.8 (1994) | 6.4 (1999) | | | |
| SWE | -0.473 | -4.1 | 5.4 | 4.6 | 14.5 | 7.9 (1982) | 8.6 (1985) | 6.4 (1988) | 14.8 (1991) | 11.3 (1994) | 15.4 (1998) | |
| UK | -0.929 | +1.3 | n/a | 11.6 | 2.3 | 2.8 (1983) | 3.6 (1987) | 5.3 (1992) | 13.3 (1997) | | | |
| Mean | | -3.1 | 14.3 (Median) | 11.5 (Median) | 14.5 (Median) | | | | | | | |

Sources: Identification: Dalton & Wattenberg 2000: 25; Turnout: calculated from Gallagher, Laver & Mair (GLM) 2006: 291; New parties: GLM 2006: 292; Electoral volatility: data supplied by Peter Mair.