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Summary

European economies underwent major economic adjustment during the 1990s, combining reforms related to the preparation for EMU with welfare state recalibration and labor market deregulation. This paper seeks to understand national variation in the strategies of adjustment during that decade, and in particular in the varied reliance on social pacts as facilitators of reforms. Why were such concerted agreements struck in some countries, but not in others? Using a fuzzy set Qualitative Comparative Analysis (fs/QCA) of fourteen European countries, this paper assess the explanatory power of leading hypotheses about the emergence of social pacts. The analysis yields two key findings. First, the arguments which prevail in the literature, emphasizing the extent of economic problems associated either with the run-up to EMU or more general economic pressures, seem to explain only one part of the story. The ‘Maastricht imbalance’ (as manifested in high inflation and budget deficit), or alternatively high unemployment turned out to be neither necessary nor in themselves sufficient for the extensive reliance on social pacts. Rather, a high economic ‘problem load’ appears to be causally relevant only when combined with particular political and institutional conditions, namely the prevalence of electorally weak governments and/or an intermediate level of union centralization. Second, the analysis suggests that there is more than one causal pathway to concerted agreements. In examining the conjunction of multiple causal factors I find three distinct, theoretically and empirically relevant combinations of conditions that helped generate pacts during the 1990s.
I. Introduction

Much of the debate about economic adjustment and institutional change in comparative political economy has focused on the logic of negotiated reforms in advanced societies. Particularly prominent in this debate have been endeavours to understand the phenomenon of social pacts – formal, often multi-policy agreements between the state, unions and employers that spread across European countries during the 1990s. As the internationalization of the economy intensified competitive pressures and socio-demographic changes increased the costs of welfare provision, many governments turned to organized interests to negotiate reforms of wage bargaining systems, social security and employment protection. Unlike the corporatist agreements of the Keynesian era, when wage moderation was traded for an extension of social benefits and a promise of full employment, the new social pacts were negotiated in a context that called for a combination of pay discipline, social policy cutbacks and greater labour market flexibility. What made this resurgence of concertation particularly puzzling is the fact that these agreements emerged in countries that lacked the traditional preconditions for neocorporatism, namely strong and monopolistic interest organizations. This puzzle brought negotiated reform “back in vogue in comparative political economy” (Culpepper 2002), as scholars increasingly sought to explain why and when such concerted solutions may be possible in the new economic environment.

Although the literature on social pacts generally agrees on the virtues of concertation – specifically the potential of this process to generate broader support for necessary reforms and thus to promote reform sustainability – there is no agreement on the conditions under which such concerted agreements are likely to materialize. As a consequence, we still lack a consensus on one of the central questions addressed by this literature: Why were such deals struck in some countries but not in others? While some accounts emphasize national variation in the extent of economic ‘problem load’, particularly with respect to meeting the Maastricht convergence criteria for economic and monetary union (EMU) (Hancke and Rhodes 2005; Fajer-tag and Pochet 2000), others highlight differences in wage bargaining institutions (Hancke 2002; Hassel 2006), and more recently in government strength, political institutions, or specific patterns of electoral pressures (Baccaro and Lim 2007; Hamann and Kelly 2007a). In most cases, however, these hypotheses have been derived and assessed on a small number of in-depth case studies, and attempts to evaluate them on a larger number of country cases have been rather cursory.

The aim of this paper is to assess more systematically the explanatory power of the various arguments about national variation in the emergence of social pacts. Relying on a fuzzy set qualitative comparative analysis (fs/QCA) of fourteen European countries during the 1990s, I find little support for the dominant argument that sees pacts as a direct consequence of the extent of the underlying economic problem load, especially with regard to inflation and budget deficit. This finding is in line with some recent accounts that argue that policy concertation has been driven at least as much by governments’ political calculations as by their more general concerns about key macroeconomic parameters (Baccaro and Lim 2007; Hamann and Kelly 2007a). But whereas some of these accounts accept that EMU-related pressures may have been at least necessary if not a sufficient condition for successful concertation during the 1990s (Hamann and Kelly 2007a), my analysis shows that this condition by itself has been neither necessary nor sufficient. Instead, the analysis reveals three possible paths to pacts, each combining at least two different conditions emphasized by the various strands of the literature. These three causal configurations suggest that a high economic problem load gener-

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1 The 14 countries include all “old” European Union member states apart from Luxembourg.
ates pacts only when combined with particular political and/or institutional conditions. Specifically, weak governments and intermediate union centralization seem to have been key ingredients for successful tripartite concertation during the 1990s. As far as economic variables are concerned, it is evident that even during the run-up to EMU - when we would expect the explanatory power of the imbalances with regard to the Maastricht convergence criteria to be particularly strong - high unemployment was almost as important for the emergence of pacts. As this paper will show, the three paths identified by the fuzzy set analysis are not only empirically relevant in that they explain all our cases well, but they also broaden our theoretical understanding of the combinations of conditions that may be conducive to successful policy concertation. In short, the findings of this analysis confirm that the resurgence of concertation cannot be explained by a single factor, and that social pacts have multiple (albeit not entirely idiosyncratic) causes.

This paper is organized as follows. Section I presents three main groups of explanations of social pacts emphasizing economic, institutional and political causes respectively. This is followed by a consideration of several multi-causal explanations that combine these various conditions into more complex conjunctural hypotheses. Section II discusses the benefits of using fs/QCA to analyze cross-national variation in the reliance on social pacts. Section III introduces the main variables and data, while sections IV and V discuss the main steps of the analysis, model specifications and findings. Section VI summarizes the findings and offers suggestions for future research.

II. Explaining the Reliance on Pacts: Economics, Institutions and Politics

The literature on new social pacts generally assumes that policy concertation is an effective way to facilitate economic adjustment and to increase competitiveness of national economies (Schmitter and Grote 1997). Negotiations with unions and employers, so the argument goes, are beneficial for the government because they facilitate a broader support for necessary wage and welfare reforms. Since many contemporary reforms entail immediate and certain sacrifices with a mere promise of uncertain gains in the future, governments have a clear incentive to get unions and employers’ associations on board because these organizations can help ensure compliance and support for reforms from their members. Offering influence in policymaking is thus rational for the government because this strategy may tame the unions who might otherwise try to “obstruct welfare retrenchment policies in the industrial (strike) and political (electoral) arenas” (Ebbinghaus and Hassel 2000). Yet, despite these obvious advantages of policy concertation not all governments faced with adjustment pressures of the 1990s were willing to craft broad-based agreements with unions and employers’ organizations. Indeed, in a number of European countries governments eschewed negotiations and decided to push through their reforms unilaterally. Why did governments pursue concerted agreements in some countries but not in others? The literature on social pacts emphasizes three sets of factors as the main reasons for the different propensity to concertation across European countries: economic problem load, wage setting institutions, and governments’ political calculations and electoral concerns.

II.1. Economic problem load

The predominant explanation of the resurgence of tripartite concertation emphasizes the idea of a crisis or a high economic problem load. A general idea running through this literature is that an agreement on major policy changes is more likely when a country is stuck in a prolonged and deep crisis that threatens economic competitiveness, or when exogenous shocks and changes in the international economy require significant adjustment across multiple pol-
icy areas. Such situations of national emergency, so the argument goes, act as powerful incentives for the relevant political-economic actors to leave their conflicts behind and agree on concerted solutions to the crisis. A high problem load, in other words, may help to create a shared understanding that a cooperative game is the most appropriate course of action. Although this group of explanations encompasses several different arguments, social pacts are generally depicted as functional responses to various economic problems. Most commonly, the resurgence of policy concertation is linked either to the need to meet the Maastricht criteria in the run-up to EMU, or to more general globalization pressures.

The first group of arguments, which has been particularly prominent in the literature, sketches a more or less direct link between externally imposed pressures and policy concertation. In this interpretation, the emergence of social pacts reflects the need of European economies to bring inflation and deficits down to the level imposed by the convergence criteria (Fajertag and Pochet 2000; Hancke and Rhodes 2005; Hassel 2003). As Hancke and Rhodes argue, not all countries saw the emergence of broad based social pacts because EMU-related pressures “were not distributed symmetrically across all prospective EMU members” (Hancke and Rhodes 2005). Countries that had tied their currencies to the German Mark before the 1990s had little problem adjusting to the new hard currency regime, while others faced more serious problems after the adoption of the Maastricht Treaty in 1991. In brief, this explanation suggests that where inflation and budget deficit were above the Maastricht limits, governments had to rely on policy concertation “both to expedite the process of adjustment and reduce the potential social costs of rapid disinflation” (ibid.).

The second group of arguments, which emphasizes globalization pressures, rarely advances such explicit hypotheses and is less specific about the particular economic parameters that facilitate pacts. Nonetheless, it is evident that most accounts that subscribe to this position commonly emphasize that the loss of competitiveness or (threat of) high unemployment have been the key drivers of concerted agreements stipulating wage moderation, lower labour costs and/or greater labour market flexibility (Culpepper 2002, 2008; Hyman 1999; Regini 2003; Rhodes 2001). Rather than assuming a direct link between economic pressures and social pacts, some accounts in this group have advanced sophisticated causal arguments that demonstrate how a crisis induces cooperation by transforming actors’ understanding of feasible policy options and ultimately their initial preferences. Culpepper (2008), for example, combines rationalist and constructivist approaches to show how prolonged economic problems in the late 1980s and early 1990s in Ireland and Italy facilitated a process of “common knowledge creation,” which culminated in formal agreements over the transformation of wage bargaining institutions. He argues that once unions and employers became persuaded that the “failure to restrain wages would damage competitiveness and employment”, it was possible to shift to a cooperative “game in which a coordinated solution was preferred by both parties” (ibid, 30).

Taken together, the literature that emphasizes economic pressures suggests two hypotheses about the emergence of social pacts that stress either problems to meet the core EMU convergence criteria, or the loss of competitiveness as manifested in high unemployment. Accordingly, a higher propensity to pacts should be evident in countries that had encountered high inflation or government deficits (H1), or alternatively high unemployment (H2).

II.2. Wage bargaining institutions

Institutional preconditions for concertation, in particular strong and monopolistic interest organizations, have long been the cornerstone of corporatist literature (Cameron 1984; Schmitter and Lehbruch 1979). The attention to these factors, however, has diminished with the evident inability of the corporatist literature to explain the emergence of social pacts in the
1990s. But although most scholars now dismiss the notion of institutional determinants of concertation, several accounts suggest that specific institutional features are nonetheless important for they may provide compelling incentives for pacts. Unions’ organizational strength as expressed through union density and particularly the level of wage-bargaining centralization are the two most emphasized institutional features. Whether or not the unions organize a sizeable proportion of the workforce is still seen as a factor that may affect governments’ incentives to seek concerted solutions (Baccaro and Simoni 2008; Esping-Andersen and Regini 2000). It is generally assumed that governments would not be interested in joint policy formulation when unions are organizationally too weak to be credible negotiating partners.

As far as wage bargaining centralization is concerned, there is no consensus on what degree of centralization may be most conducive to pacts. Some argue that unions have to be highly centralized to convince the government that they would be able to hold up their side of the bargain and prevent wage drift at lower levels (Hancke 2002; Harcourt and Wood 2003). Others, in contrast, maintain that an intermediate level of centralization creates stronger incentives for pacts (Ebbinghaus and Hassel 2000; Hassel 2003, 2006). Drawing on the curvilinear hypothesis about the impact of union centralization on wage demands (Calmfors and Driffil 1988) and on the broader literature on macroeconomic effects of wage bargaining centralization (Cukierman and Lippi 1999; Iversen 1998; Kittel 2000), these authors argue that unions in highly centralized systems internalize automatically costs of excessive wage increases, which in turn would make a tripartite agreement on wage moderation superfluous. The government should be therefore more interested in gaining cooperation of moderately centralized unions, which may have a substantial effect on nominal wages, but are unlikely to be equally concerned about employment costs of wage demands for their members.

This brief discussion of the institutional factors that may affect governments’ propensity to concertation suggests three different hypotheses about national variation in the reliance on social pacts as a regulatory mechanism. Social pacts should be more evident in countries that have more encompassing unions (H3), higher levels of union centralization (H4), or alternatively unions that are intermediately centralized (H5).

II.3. Government’s political calculations and electoral concerns

Governments’ willingness to negotiate policy reforms and sign broad-based social pacts has been also linked to various political conditions. Three different conditions figure most prominently in this set of explanations. First, the early literature on the politics and macroeconomic effects of corporatism has identified Left party incumbency as a key precondition for successful concertation (Alvarez, Garrett, and Lange 1991; Garrett 1998; Hicks 1999; Korpi 1983; Lange and Garrett 1985). Left parties were thought to be particularly well positioned to ensure union cooperation because of their traditionally strong relationship with the unions, which has helped to build trust between these actors. Unions were thus willing to accept wage restraint because they could count on their long-standing partners to deliver on their promises and ensure full employment and high investment. This explanation was subsequently challenged by party scholars who emphasized the weakening of union-party ties and class realignment (Kitchelt 1994), and by political economy scholars who argued that government partisanship was important only in the context of a Keynesian economic policy, but not in the contemporary monetarist context (Scharpf 1991). Nonetheless, several accounts of new social pacts suggest that Left parties are still more likely to negotiate policies with unions (Baccaro and Simoni 2008; Hamann and Kelly 2007b; Harcourt and Wood 2003; Hassel 2006).

Second, a number of recent accounts have emphasized the importance of government strength for the emergence of social pacts (Avdagic 2006; Baccaro and Lim 2007; Baccaro and Simoni
This literature suggests that governments that are either electorally weak or divided and politically unstable are more likely to negotiate potentially unpopular reforms and sign formal agreements with unions and employers because their weakness requires them to seek support for their policies outside of parliaments. In this line of reasoning, Baccaro and Lim (2007) advance an explicit argument that the presence of minority or caretaker governments is a key ingredient of social pacts.

Finally, it has been argued that social pacts are a consequence of broader electoral pressures, manifested in fierce party competition, the emergence of new parties, and declining partisan loyalties. Drawing on the literature on party competition and changing voting behavior, Hamann and Kelly (2007) assume that governing parties are interested in winning votes and elections, and thus calculate the likely electoral gains of pacts versus unilateral imposition of policies. Correspondingly, they argue that governments are more likely to offer pacts when the governing parties are facing strong electoral pressures. When this is the case, the governments are unlikely to opt for unilateralism because this strategy may entail heavy electoral costs.

In sum, the literature that highlights political reasons for pacts suggests three plausible hypotheses: The reliance on broad-based tripartite pacts should be evident in countries where governments have been on the whole either weak (H6), dominated by left parties (H7), or faced with strong electoral pressures (H8).

II.4. Conjunctural and multicausal explanations

Although the distinction between the three groups of explanations proposed above may be useful for analytic purposes, it is important to recognize that this categorization is too crude to be able to do justice to the complexity of several arguments about social pacts. Indeed, most works referred to above do not advance simple mono-causal explanations whereby a single factor is thought to account for variation in the extent to which countries have relied on social pacts when undertaking major reforms. Instead, they often emphasize more than one causal condition, and sometimes develop conjunctural explanations whereby the impact of a particular variable is conditioned by the level of another variable. For example, Baccaro and Lim (2007) argue that a combination of three conditions is needed for a pact to materialize: an economic crisis, a weak government, and weakened but still sufficiently powerful unions. Similarly, Hamann and Kelly (2007) suggest that pacts occur in situations where governments are facing not only economic problems, such as inflation and deficit, but also significant electoral pressures. Analyses of social pacts that underline the role of government partisanship draw primarily on the literature on social democratic corporatism (Garrett 1998; Hicks 1999) and the power-resources perspective (Korpi 1983), which suggest that negotiated compromises may be most likely in countries where a high degree of Left cabinet incumbency coincides with encompassing or centralized unions.

Hassel (2006) also suggests that a combination of conditions may be required for concerted agreements. Her complex multi-causal argument emphasizes not only economic conditions and the nature of wage bargaining institutions as elaborated above, but also the extent to which monetary regimes are accommodating and the broad type of political systems. The first aspect of her argument draws on Iversen (1998) who holds that intermediate centralization leads to inflationary pressures only when monetary policy is accommodating. In the context of non-accommodating policy, neither inflation nor unemployment should be a problem because unions will have an incentive to restrain their wage demands for fear of employment losses. The second aspect of Hassel’s argument is inspired by Lijphart’s work, which distinguishes consensus from majoritarian democracies (Lijphart 1999; Lijphart and Crepaz 1991).
Consensus democracies are thought to be accustomed to power sharing and negotiation because they have proportional electoral rules and multi-party systems guaranteeing representation of all relevant interests in the political arena. Governments in these systems are further constrained by various corporatist institutions that provide formal channels for interest groups to influence public policies. In contrast, governments in majoritarian democracies, which typically have plurality-based electoral systems, only two major political parties, and a weak institutional integration of interest groups, face fewer institutional constraints and thus have a much greater leeway in policy making. Accordingly, Hassel (2006) maintains that while introducing major reforms unilaterally may be an option in majoritarian systems, negotiations with social partners may be unavoidable in countries that have a strong tradition of consensus democracy. Overall, her complex framework suggests that governments should be more likely to pursue social pacts in countries where economic problems are combined with intermediate union centralization, insufficiently independent central banks, and a tradition of consensus democracy.

Finally, some of the earlier corporatist accounts also advance multi-causal arguments that may offer some insight about the rationale behind contemporary concertation. Among these, Katzenstein’s argument (Katzenstein 1985) about adjustment strategies of small European states appears to be particularly relevant because it focuses on the link between competitive pressures, political institutions, and negotiated adjustment. While country size is unlikely to have much explanatory power in the analysis of contemporary social pacts (as pacts were evident in both small and large countries), a combination of two other causal conditions that he emphasizes – a high degree of economic openness and consensus-based political institutions – merits further consideration.

### III. Evaluating the Hypotheses: Why Use Fuzzy Sets?

As evident from the preceding discussion, the literature has generated a multitude of hypotheses about the emergence of social pacts, ranging from single-cause explanations to more complex multi-causal and conjunctural arguments. The remainder of this article evaluates these various hypotheses through a fuzzy set analysis of fourteen European countries during the 1990s. A number of reasons make fs/QCA a particularly suitable technique for this analysis. First, explaining cross-country variation in the reliance on social pacts entails the well known “few cases, many variables” problem. Regression analysis is not well suited in this case because the relatively small N would render insufficiently reliable results and would not permit inclusion of complex interaction terms to investigate various multi-causal hypotheses. Fs/QCA does not suffer from the same problem because it was developed primarily for small-N research designs and for the exploration of causal configurations, that is “situations in which variables have an impact only in combination with a high or low degree of one or more other factors” (Epstein et al. 2008). This configurational aspect of fs/QCA makes it an ideal method for assessing conjunctural causation evident in several hypotheses that link pacts to a particular combination of factors.

Second, the literature reveals different degrees of reliance on social pacts as a strategy of economic adjustment. The differentiation is made not only between “pact countries” and “non-pact countries”, but also within “pact countries” depending on the extent to which they relied on this instrument of economic adjustment. In some of these countries governments used social pacts extensively, trying to link adjustment in incomes policy and collective bargaining with specific labor market and social security reforms. In others, social pacts were focused primarily on non-wage issues, leaving collective bargaining in the hands of unions and employers. Finally, in some countries governments avoided tripartite negotiations, striving in-
stead to induce central agreements between unions and employers by threatening unilateral intervention and imposed wage norms. This variation can be captured neither by standard statistical tools such as binary choice models, nor by the older variant of QCA relying on Boolean sets. Binary choice models estimate the probability of a certain state occurring, thus requiring a dichotomous dependent variable (pacts vs. no pacts). Similarly, crisp-set QCA requires a dichotomization not only of the outcome, but also of causal conditions: a country is either in or out of the set of pact countries, its problem load is either high or low, its governments are either strong or weak, etc. In contrast, fs/QCA permits cases to have partial membership in both the outcome and causal conditions. Raw data and qualitative concepts are calibrated to fuzzy scores in the interval between 0 (non-membership) and 1 (full membership), denoting the degree to which a case belongs to a given category. This property of fuzzy sets makes them particularly amenable to the analysis of social pacts where neither the outcome nor most causal conditions can be easily dichotomized.

Third, many prominent arguments about social pacts have been framed in terms of necessary and sufficient conditions for their emergence. Fs/QCA is an obvious choice for exploring such arguments on a larger number of cases because this technique formalizes analysis of necessity and sufficiency through the so-called “subset principle.” Accordingly, a condition is considered to be necessary if the degree of membership in the outcome is less than or equal to the membership in the condition (the outcome is a subset of the cause). In contrast, sufficiency is demonstrated when the degree of membership in a condition or a particular combination of conditions is less than or equal to the membership in the outcome (the cause is a subset of the outcome). In addition, fs/QCA allows us to move beyond rigid veristic tests, whereby one non-conforming case disproves a hypothesis, to more realistic tests of “quasi-necessity” and “quasi-sufficiency” that incorporate different benchmark proportions to identify conditions that are “almost always” or “usually” necessary or sufficient (Ragin 2000, 2006).

Finally, fs/QCA incorporates the idea of equifinality, which denotes a possibility of multiple pathways to an outcome. Since cases are viewed configurationally, fuzzy set analysis often reveals that more than one causal configuration is linked to the outcome. This idea that the same recipe may not be at work in all cases is particularly relevant for the purposes of this article because an array of case studies suggests that different combinations of conditions may have been responsible for the emergence of social pacts in different countries. As a method for systematic comparisons, fuzzy set analysis can identify relevant causal pathways to pacts in a larger group of countries, and help us to assess the significance of these solutions. Moreover, fs/QCA enables consideration of different types of solutions ranging from those that maximize complexity to those that maximize parsimony. While complex solutions capture only causal configurations that are evident empirically, parsimonious solutions incorporate the so-called remainders, which correspond to counterfactual combinations that are logically possible but lack empirical instances. Using fs/QCA therefore allows us to engage in explicit counterfactual analysis and explore hypothetical cases more systematically than it would be possible by standard qualitative comparisons.

IV. Data

Undertaking the analysis requires the construction of fuzzy sets, which correspond to the “pseudo-continuous scale” on which cases are coded according to their degree of membership in a given category (Epstein et al. 2008). In essence, fuzzy membership scores are mathematical proxies for verbal qualifiers about the extent to which cases belong to a certain set, for example a set of countries with highly centralized unions. A case with a membership score 1 is considered to be “fully in” the set, while a case with a score 0 is “fully out.” Membership
scores that lie between these two extremes correspond to cases that may be described as being “almost fully in”, “more in than out”, etc. Most causal conditions in this paper are coded as six-value fuzzy sets with membership scores 1, 0.8, 0.6, 0.4, 0.2 and 0. For reasons of empirical correspondence, the outcome is coded as a four-value fuzzy set with the matching scores 1, 0.8, 0.2 and 0. Membership along the continuum is determined on the basis of substantive and theoretical knowledge—a method that the leading proponents of QCA consider preferable to simple mathematical rescaling. The remainder of this section elaborates in more detail empirical indicators used for the construction of the fuzzy-sets considered in this analysis.

IV.1. Outcome

The outcome of interest in this analysis is the reliance on social pacts as a strategy of economic adjustment during the 1990s. Because the literature on social pacts has tried to understand primarily why governments in some countries have crafted broad-based policy agreements with social partners, while others proceeded with reforms unilaterally, the concern here is successful policy concertation, that is concertation culminating in a social pact.² For the purpose of this analysis, social pacts are defined as publicly announced formal policy contracts between the government and social partners over incomes, labor market or welfare policies that identify explicitly policy issues and targets, means to achieve them, and tasks and responsibilities of the signatories. This definition therefore excludes purely declaratory agreements, general statements of intent, as well as informal behind-the-scenes settlements that are sometimes seen as functional equivalents of pacts. It also rules out exclusively union-employer agreements, placing special attention to the role of the government. For an agreement to be considered a pact, the government has to be a signatory, or alternatively it has to back up publicly a union-employer agreement and offer explicit policy incentives to the negotiating parties. I adopt such a restrictive definition of pacts for two main reasons. First, considering all types of agreements as pacts regardless of their formal status, substantive content and actors involved would inflate artificially the number of pacts. Put simply, there would be hardly any cross-national variation left as some form of centralized agreement was evident in almost all EU countries during the 1990s. Second, since several explanations of pacts emphasize political conditions and governments’ electoral concerns, it would make little sense to test those hypotheses on cases of union-employer agreements that were crafted without government involvement.

The focus on the 1990s is also justified on two grounds. First, most social pacts that brought about far-reaching consensual reforms linking multiple policy areas were crafted during the last decade. To be sure, some wide-ranging tripartite pacts were signed already in the late 1980s, and pacting has continued in several countries beyond the 1990s. However, comprehensive tripartite pacts in the late 1980s were much less frequent (the 1987 pact in Ireland being the most often cited example), while pacts in the 2000s have been generally of a narrower scope (e.g. the 2003 wage agreement in the Netherlands, the 2001 agreements on training, and

² Using successful concertation as an indicator of government willingness to share its policy making prerogatives with social partners is not without problems, because social partners rather than the government may be responsible for the failure of pact negotiations. An alternative indicator could be instances of concertation initiated by the government regardless of whether or not this process results in an agreement. This approach, however, would be more problematic because it does not allow us to distinguish between significant negotiations that lead to substantive agreements over policy reforms and mere consultation where the government may inform social partners about its reform plans, but it has no intention to enter into negotiations that would affect the design of reforms. In this light, concertation that results in a pact, while not ideal, is a better indicator of the government’s commitment to seek concerted solutions for economic adjustment.
health and safety in Portugal) and/or characterized by more serious implementation problems (e.g. the 2002 Pact for Italy). Thus, although different types of pacts have been signed over the last twenty years in Europe, there is hardly any disagreement among scholars that the 1990s was the decade of comprehensive social pacts that enabled reforms in multiple policy areas. Because such pacts were concentrated predominantly in the 1990s, focusing on that decade also enhances the comparability of pacts, making the rationale for the calibration of the dependent variable clear and easily tractable. Second, the focus on the 1990s also allows a fair assessment of a leading hypothesis that links pacts to the EMU-related problem load. Because this hypothesis was developed to explain the resurgence of pacts in the run up to EMU, it may not be applicable beyond this period. If high inflation and deficit levels were indeed the main drivers of pacts, as this hypothesis suggest, then the effect of these variables should be most evident during the 1990s.

How widespread was the reliance on social pacts as a strategy of economic adjustment, and what form did such concerted deals take? Table 1 summarizes the basic characteristics of social pacts and classifies countries along a four-point scale capturing their membership in the set “Extensive Tripartite Concertation.” The table indicates that during the 1990s governments in seven out of fourteen countries used some form of concerted agreements to adjust their economies to the demands of internationalization, contain inflationary pressures and alleviate state budgetary burdens. Out of the seven countries where pacts were evident, five are clearly positive cases, that is cases where government was directly involved in concertation and where the resulting agreements spanned several policy areas. These cases are assigned fuzzy scores 1 or 0.8 depending on the scope of pacts and the extent of government involvement.

Table 1: Social Pacts as an Adjustment Strategy during the 1990s: Fuzzy-set Membership in the Outcome

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<th>Countries</th>
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<td>Italy, Ireland, Portugal, Finland</td>
<td>Broad tripartite pacts, linking incomes policy with labor market and welfare reforms</td>
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<tr>
<td>Spain</td>
<td>Narrower pacts, focus on labor market and welfare policies</td>
<td>0.8</td>
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<tr>
<td>Netherlands, Belgium</td>
<td>Union-employer pacts under threat of government unilateralism</td>
<td>0.2</td>
</tr>
<tr>
<td>Austria, Denmark, France, Germany, Greece, Sweden, UK</td>
<td>No major pacts</td>
<td>0</td>
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Italy, Portugal, Ireland and Finland are all given score 1, denoting their full membership in the set “Extensive Concertation.” Social pacts in these countries linked reforms and institutional innovations across adjacent policy areas, and in all of them the government played a central role. Italy saw the emergence of five such pacts during the 1990s. Not only did these agreements help secure wage restraint, but they also facilitated consensus over the abolishment of the wage indexation mechanism (‘scala mobile’) and a reform of collective bargaining, a major pension reform, and the creation of a range of new employment programs (Baccaro and Lim 2007; Regini and Colombo 2006). Similarly, in Portugal, starting with the major Economic and Social Agreement (1990), there was a series of successive pacts covering pay-rise ceilings and levels of the minimum wage, as well as reforms of labor legislation and working
hours, social security and pensions, the tax system, and employment policies and occupational
training (Campos Lima and Naumann 2005; Hancke and Rhodes 2005). Ireland adopted a
practice of regular three-year tripartite agreements, started in 1987 with the Program for Na-
tional Recovery (1987-1990). Three successive pacts signed during the 1990s served to sus-
tain wage moderation in exchange for tax cuts, while introducing a comprehensive range of
new welfare and labor market measures aimed to minimize social inequalities and exclusion
(Baccaro and Lim 2007; O’Donnell, Adshead, and Thomas 2007). Like Ireland, Finland also
relied on regular agreements linking incomes policy with reforms and institutional innova-
tions in the area of taxation, social security and employment policies. Although the govern-
ment in Finland was rarely a formal signatory of pacts, it not only endorsed these agreements
publicly, but it also participated directly in their negotiations offering explicit incentives to the
negotiating parties in order to ensure that a consensus is reached. These incentives were in-
corporated into the written agreements, and most commonly included tax relief, but also
shortened working hours, earnings related unemployment benefits, and holiday bonuses
(Kauppinen 2000).

Spain is classified as having high albeit not full membership (0.8) in the set of countries with
extensive concertation. Its lower score reflects both the narrower scope of its pacts and a more
limited role played by the government. The Spanish tripartite pacts contained no formal in-
comes policy and were focused instead on narrower social security and labor market topics. In
the early 1990s, the government failed to convince the unions to support a comprehensive
multi-policy pact including incomes policy. Following this unsuccessful attempt, the govern-
ments left collective bargaining to the discretion of unions and employers, while trying to in-
fluence their bargains indirectly through tripartite negotiations in the area of employment and
social security. A tacit understanding was developed that the government would offer social
partners a seat at the bargaining table, and thus influence over key labor market and welfare
reforms, if the social partners showed responsible behavior in wage setting and ensured that
the wage growth was in line with productivity and inflation. As a consequence, Spain had no
grand tripartite pacts linking reforms in multiple policy areas. Instead, policy concertation was
pursued at separate tripartite and bipartite negotiating tables focusing on narrower policy is-
sues (Hancke and Rhodes 2005; Perez 2000). This strategy ultimately produced five agree-
ments between the government and social partners over employment and social security (most
notably pensions, part-time contracts, and health and safety), and eight seemingly unrelated
inter-confederal agreements over wage rises and workplace industrial relations (Royo 2006).

The Netherlands and Belgium also have non-zero membership in the outcome, but their score
below the 0.5 threshold indicates that they cannot be considered as positive cases. These two
countries are assigned fuzzy score of 0.2 because during the 1990s they did not have tripartite
social pacts as defined above, but rather centralized union-employers agreements crafted un-
der explicit threats of government intervention. These agreements are not equivalent to ‘social
pacts proper’ because the government’s role in the negotiations was indirect and its com-
mitment to concertation and the willingness to offer tangible policy concessions clearly lower.
Put simply, rather than carrots, these governments used sticks to convince social partners to
cooperate. If and when the social partners refused to do so, the government did not try to buy
their cooperation, but proceeded unilaterally by imposing a wage freeze or limits on wage in-
creases through legislation. This type of “concertation under the shadow of hierarchy” (Visser
1999) was not new in these countries. The well-known Waasenar Agreement (1982) in the
Netherlands was also signed under explicit threats of government unilateralism. Indeed, the
unions and employers reached the agreement only when the government announced publicly
that “it was determined to freeze public wages, the minimum wage and transfer payments, and
abolish wage indexation” (Ebbinghaus and Hassel 2000). Threats of government intervention
were also crucial to convince the social partners to craft peak-level bi-partite agreements in 1994 and 1997. These agreements were focused primarily on responsible wage policies, while introducing further flexibilization of working time and various employment measures, especially for the older, disadvantaged and long-term unemployed (Visser 1998). Belgium also has a history of a similar type of concertation, though the governments in this case resorted to unilateralism more frequently. The failed negotiations of the Recovery Plan in 1982 prompted the government to freeze wages and suspend temporarily wage indexation (Hassel 2006). During the late 1980s and early 1990s unions and employers crafted biannual central agreements on wage guidelines, which were “largely dictated by the government” (Vilrokx and Van Leemput 1998). In the mid 1990s, the government tried to convince the social partners to support a tripartite social pact aimed to improve the country’s declining competitiveness. When the unions refused to accept its terms, the government proceeded unilaterally first by introducing a wage freeze (1993) and then a new legal framework for wage bargaining (1996), which limited wage increases to the levels of Belgium’s three main trading partners (Baccaro and Lim 2007). Consequently, the bi-annual agreements over wages and employment conditions concluded in the late 1990s entailed a de facto threat of further government intervention.

The remaining seven countries are considered to be non-members in the set “Extensive Tri-partite Concertation.” Some of them tried unsuccessfully to reach comprehensive social pacts. The most notable example is the German Alliance for Jobs (1996, 1998), a wide-ranging initiative that produced some narrow agreements, but ultimately failed to achieve a broad-based consensus on labor market and welfare reforms that its creators had hoped for. Similarly, in Greece tripartite negotiations of the Confidence Pact (1997) failed to produce substantial reforms, resulting instead in a rather general and largely declaratory agreement. Other countries in this group did not try to reach explicit social pacts. While in most of them some form of tripartite consultation on specific labor market and social security reforms took place at some point during the 1990s, there was evidently no intention to package these instances as negotiations of social pacts.³ In some of these countries, such as Denmark and particularly Sweden, governments also strengthened their oversight of collective bargaining by reinforcing or extending the role of institutionalized mediation (Hassel 2006; Kjellberg 1998). In general, however, this group of countries abstained from pacting, relying instead on the non-orchestrated gradual adjustment of the existing collective bargaining institutions and/or corporatist practices.

IV.2. Causal Conditions

Taken together, the three main groups of explanations of pacts emphasizing various economic, institutional, and political factors marshal seven different potentially relevant causal conditions. The related political economy literature suggests three additional variables that merit exploration in the analysis of social pacts: the extent to which there is an accommodating monetary policy, a tradition of consensus democracy, and economic openness. Data for 14 EU countries was compiled from various sources to evaluate these explanations. Raw data for all causal conditions were re-coded as six-value fuzzy sets with the values apart from intermediate centralization, which was coded as a dichotomous set. Table 2 reports the fuzzy membership values for all variables. Note that there are eight (rather than seven) core sets because union centralization is captured by two sets constructed to explore different hypotheses:

high centralization and intermediate centralization. The criteria for calibration for all variables and data sources are described in more detail in the appendix. The remainder of this section describes the main measures of causal conditions used in the analysis.

Table 2: Fuzzy Membership in Causal Conditions

<table>
<thead>
<tr>
<th>Country</th>
<th>MAAS</th>
<th>UNEM</th>
<th>DENS</th>
<th>CENT</th>
<th>MEDC</th>
<th>LEFT</th>
<th>MING*</th>
<th>EFFP</th>
<th>CONS</th>
<th>CBDP</th>
<th>OPEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>0.8</td>
<td>0</td>
<td>0.6</td>
<td>1</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>0.6</td>
<td>0.6</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
<td>0.8</td>
<td>0.6</td>
<td>0.8</td>
<td>0</td>
<td>0.8</td>
<td>0</td>
<td>1</td>
<td>0.8</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Denmark</td>
<td>0</td>
<td>0.6</td>
<td>0.8</td>
<td>0.6</td>
<td>1</td>
<td>0.8</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Finland</td>
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<td>1</td>
<td>0.8</td>
<td>0.6</td>
<td>1</td>
<td>0.4</td>
<td>0</td>
<td>1</td>
<td>0.8</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>France</td>
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<td>1</td>
<td>0.2</td>
<td>0</td>
<td>0</td>
<td>0.8</td>
<td>0.45</td>
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<td>0</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Germany</td>
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<td>0.6</td>
<td>0.4</td>
<td>0.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.6</td>
<td>0.6</td>
<td>0</td>
<td>0.6</td>
</tr>
<tr>
<td>Greece</td>
<td>1</td>
<td>0.8</td>
<td>0.4</td>
<td>0.6</td>
<td>1</td>
<td>0.8</td>
<td>0</td>
<td>0.2</td>
<td>0.2</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Ireland</td>
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<td>1</td>
<td>0.6</td>
<td>0.8</td>
<td>0</td>
<td>0</td>
<td>0.89</td>
<td>0.6</td>
<td>0.6</td>
<td>0.8</td>
<td>1</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
<td>1</td>
<td>0.4</td>
<td>0.4</td>
<td>1</td>
<td>0.4</td>
<td>0.77</td>
<td>1</td>
<td>0.8</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Netherl.</td>
<td>0.8</td>
<td>0.2</td>
<td>0.4</td>
<td>0.8</td>
<td>0</td>
<td>0.6</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0.2</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
<td>0.2</td>
<td>0.4</td>
<td>0.4</td>
<td>1</td>
<td>0.6</td>
<td>0.63</td>
<td>0.4</td>
<td>0.8</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
<td>1</td>
<td>0.2</td>
<td>0.4</td>
<td>1</td>
<td>0.8</td>
<td>0.89</td>
<td>0.6</td>
<td>0.2</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
<td>0.6</td>
<td>1</td>
<td>0.8</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0.8</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>UK</td>
<td>1</td>
<td>0.8</td>
<td>0.4</td>
<td>0</td>
<td>0</td>
<td>0.2</td>
<td>0</td>
<td>0.2</td>
<td>0</td>
<td>0.6</td>
<td>0.4</td>
</tr>
</tbody>
</table>

* Since few countries had predominantly minority governments, this variable was recoded by calculating the square root of the original scores. This operation is called dilation (Ragin 2000: 178), and it is commonly used to set a lower standard for membership without affecting the score of full members and non-members. In this case, the verbal qualifier “very” weak governments is replaced by “predominantly” weak governments.

Measures of the economic problem load, emphasized by the first set of explanations, include data on inflation, government deficit, and unemployment. Since QCA was developed primarily for the analysis of cross-sectional data, it is common to use average figures when the analysis is focused on a longer period rather than a single year. This approach works reasonably well for unemployment, where three-year moving averages were used to determine the degrees of countries’ membership in the set of ‘High Unemployment’ during the 1990s (UNEM). However, relying on average figures for deficit and inflation would be problematic as this would introduce more serious distortions and mask the extent of the problem load that several countries were facing at various points during their run-up to EMU, and particularly in the early and mid-1990s. To remedy this problem, I created indices of deficit and inflation problems that take into consideration both the number of years in which deficit and inflation were above the Maastricht limits, and the extent of this imbalance in each year. The construction of these indices is elaborated in the appendix. The cumulative country indices are then calibrated to fuzzy scores, which reflect the degree of countries’ membership in the sets of ‘High Inflation’ and ‘High Deficit’. Finally, to reduce the number of variables, these two sets
are combined by using the “logical OR” function to create the macrovariable ‘Maastricht Imbalance’ (MAAS). Accordingly, a membership score in this set indicates the degree to which a country was experiencing either considerable inflation or deficit problems during this period.

The measures used to evaluate the set of explanations that emphasize institutional factors include union density and an updated wage-bargaining centralization index, originally proposed by Iversen (1998). Since these data did not vary greatly over the 1990s, simple decade means were used in the calibration process. Union density, reflecting net union membership as a proportion of wage and salary earners in employment, was used to create the set of ‘Encompassing Unions’ (DENS). The centralization index, which combines union concentration and authority in wage bargaining at multiple levels, was used to construct two separate sets: the set of ‘High Centralization’ (CENT) and the set of ‘Intermediate Centralization’ (MEDC). The former is a six-value fuzzy set, while the latter is for practical reasons a simple dichotomous set whereby countries with intermediate centralization are assigned membership score 1, and countries with either highly centralized or highly decentralized bargaining are assigned score 0.

To assess the set of explanations that emphasize political conditions, I create fuzzy sets ‘High Left Cabinet Incumbency’ (LEFT); ‘Predominantly Weak Governments’ (MING), and ‘High Electoral Pressures’ (EFFP). The degree of left governance is measured by an index of cumulative left cabinet incumbency (Huber et al 1997), which corresponds to the sum of left seats as a percentage of parliamentary seats held by all government parties during the 1990s. As a measure of weak governments, I use the number of years in which minority or caretaker governments were in power during the 1990s. The average index of the effective number of parties, which following Laakso and Taagepera (Laakso and Taagepera 1979) takes into consideration both the number of parties and their relative weights, is used as a measure of competition and electoral pressures.

Finally, to evaluate multi-causal hypotheses that draw on the related political economy literature, I construct three additional fuzzy sets: ‘Insufficiently Restrictive Monetary Regime’ (CBDP), ‘Strong Tradition of Consensus Democracy’ (CONS), and ‘High Economic Openness’ (OPEN). Data used in the construction of these fuzzy sets include: (a) an index of central bank independence as a proxy for the degree of monetary accommodation; (b) a measure of consensus democracy which, in line with Lijphart (1999), combines the index of proportionality of electoral systems with the number of effective parties; and (c) the share of exports and imports in GDP as a proxy of economic openness.

V. Analysis

The analysis was conducted with the help of fs/QCA 2.0 – a software program that enables a precise assessment of necessity and sufficiency, and a consideration of a range of solutions incorporating different treatment of counterfactuals. The analysis entailed running multiple models containing various combinations of the identified causal conditions. While most models included four variables, a number of five-variable models were also considered. The decision to explore multiple models, each containing a modest number of causal conditions, was motivated by three reasons. First, the inclusion of additional variables in a model would make each case increasingly unique, yielding largely idiosyncratic solutions that are too complex and difficult to interpret. Second, adding additional variables increases exponentially the number of logically possible causal combinations. Considering simultaneously the eight causal conditions most commonly emphasized by the literature on social pacts would yield
$2^8=256$ possible configurations. Even if we considered only seven conditions (because two of these are measures of different degrees of centralization), there would be $2^7=128$ possible causal combinations, out of which a maximum of fourteen could be empirically observable (since $N=14$). The resulting truth table, which lists all possible combinations of causal conditions, would thus contain at least 114 rows that lack empirical instances. The upshot of this is that a parsimonious solution, which treats all these logical remainders as “positive evidence”, would be based largely on “cases that could have been” rather than on configurations that are empirically evident. Although counterfactual analysis is a great strength of QCA, recent experimental research involving random trials has shown that a moderate ratio of variables to cases is required to ensure the validity of generated solutions (Marx 2006). Specifically, it has been demonstrated that as the ratio of variable to cases increases, so does the risk that QCA would find “solutions” even on random data. The practical implication of this for analyses where $N=14$ is to employ models with four explanatory variables (yielding $2^4=16$ possible causal combinations), which should ensure highly valid results. Five-variable models entail a higher risk of error, while models with six and more variables are better avoided unless the number of cases increases substantially (ibid. 19). Finally, specifying multiple models with a modest number of variables allows us to compare the explanatory power of different arguments, while simultaneously providing an explicit robustness check. Adding and replacing variables in core models serves to assess the robustness of solutions and minimize the risk of an omitted variable bias.

Correspondingly, this analysis included several steps to compare and assess the broadest range of solutions and ensure robust results. In the first instance, I specified a number of models that approximate some prominent conjunctural arguments, some of which include variables beyond the core eight causal conditions emphasized by the contemporary literature on social pacts, namely a tradition of consensus democracy, the degree of monetary accommodation, and the extent of economic openness. Next, I employed four-variable models, alternating variables systematically so to generate various theoretically plausible models combining different economic, institutional and political conditions. The final step involved a test of several models with five variables, and models that include only economic, political or institutional conditions. All models were run with and without simplifying assumptions about causal configurations that lack empirical instances. Consequently, each model generated both complex and parsimonious solutions, as well as an intermediate solution, which incorporates only the so-called “easy counterfactuals” and is recommended by QCA scholars as a bridge between complexity and parsimony (Ragin and Sonnet 2005).

The assessment of causal sufficiency was based on a consistency threshold of 0.8 – a measure indicating the extent to which membership in the outcome is consistently greater than or equal to membership in a causal configuration (Epstein et al. 2008). In simple terms, this measure reflects the degree to which particular combinations of economic, institutional and political conditions are consistently associated with extensive concertation. A particular causal combination is considered “almost always” sufficient for the outcome if its consistency score is at least 0.8. As customary in analyses with relatively small-N, a higher consistency benchmark of 0.9 was used in the test of causal necessity. This test was performed prior to specifying the different models and conducting sufficiency tests in order to establish whether any of the individual causal conditions consistently appear in the cases displaying the outcome.

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4 Formally, consistency ($X_i \leq Y_i$) = $\sum \min(X_i, Y_i) / \sum(X_i)$ (see Ragin 2006: 7).

5 The formula used in the assessment of causal necessity is: ($Y_i \leq X_i$) = $\sum \min(X_i, Y_i) / \sum(Y_i)$ (ibid).
VI. Findings

The test of necessity revealed that none of the economic, institutional or political conditions emphasized by the literature on social pacts appears to be necessary for the outcome. Among the identified causal conditions high unemployment has the highest consistency score of 0.84, but even this condition falls short of reaching the required threshold for causal necessity (0.9). Interestingly, high inflation and deficit – conditions often referred to as necessary for social pacts during the 1990s – display far lower consistency thresholds of 0.5 and 0.65 respectively. This result suggests that Maastricht-related problems alone may have been in fact much less important driver of social pacts than it is often argued (Hancke and Rhodes 2005; Fajertag and Pochet 2000). The fact that no individual condition turned out to be necessary suggests that the resurgence of policy concertation is a phenomenon that is both complex and profoundly influenced by context-specific conditions. In light of these results, any search for a single cause or even a common impetus for pacts would appear to be a futile exercise.

The next step is therefore to search for different combinations of conditions that may be linked to the outcome in terms of causal sufficiency. The sufficiency analysis was performed separately for different model specifications. Given the multitude of models considered in the analysis, how do we identify the “best fit model”? To conduct the sufficiency test, the fs/QCA software generates a truth table – a “simplified data map” presenting all logically possible combinations of causal conditions included in the model and the distribution of cases across these combinations (Epstein et al. 2008). For each causal combination the program calculates a consistency score (Yconsist), which indicates the extent to which a given combination is a consistent subset of the outcome. Since the consistency threshold used in this analysis is 0.8, the program is instructed to discard all causal combinations with lower consistency scores. The remaining combinations are then analyzed using set-subset logic. This process of “logical minimization” yields a simplified solution set with two key measures – consistency and coverage – which are used to assess the explanatory power of the models. In simple terms, consistency indicates how well the given solution set explains the outcome in question, while coverage indicates its empirical relevance, i.e. the proportion of membership in the outcome explained by the solution. Solution sets with higher consistency and coverage scores are considered as potential explanations of the outcome, which are then re-assessed in light of empirical evidence.

In this analysis, the test of sufficiency was first conducted on models that approximate some prominent arguments about concertation and social pacts. Five of these models turned out to be poor explanations of cross-national variation in the reliance on social pacts as none of their causal combinations passed the required consistency threshold. These include: (1) a model focusing on the economic problem load, combining inflation, deficit and/or unemployment (Hancke and Rhodes 2005; Fajertag and Pochet 2000); (2) a model combining high economic problem load with union centralization (Hancke 2002; Harcourt and Wood 2003); (3) the power-resources model, combining high Left cabinet incumbency with encompassing and centralized unions and different measures of economic problems; (4) the classic corporatist model, focusing on institutional conditions (union encompassingness and centralization), and (5) a model combining measures of economic openness and a tradition of consensus democracy with various economic variables (Katzenstein 1985). The remaining models in this group perform better, displaying generally high consistency scores, but insufficiently high coverage. In simple terms, this means that they explain the outcome well, but their explanation is relevant only in a small portion of cases. This finding is not surprising because most of these arguments were derived on the basis of in-depth qualitative analyses involving a few country cases. These models include: (i) a model combining Maastricht-related problems, intermedi-
ate union centralization, insufficiently independent central bank, and a tradition of consensus
democracy (Hassel 2006); (ii) a model combining economic problem load with measures of
government and union strength (Avdagic, Rhodes, and Visser 2005; Avdagic 2006; Baccaro
and Lim 2007) and (iii) a model combining Maastricht-related problems with various political
variables including measures of government strength, electoral competition, and govern-
ment’s political orientation (Hamann and Kelly 2007a, 2007b). All of these models bring
about solution sets with consistency scores exceeding 0.8, but their coverage is rather low,
ranging from 0.27 (the Hamann and Kelly model) to 0.46 (the Hassel model).

The second and third round of sufficiency tests were conducted on a range of four- and five-
variable models including different combinations of the core eight economic, institutional and
political variables. Table 3 presents three models displaying solutions sets with the highest
consistency and coverage scores. Both complex solutions and solutions including “easy coun-
terfactuals” are reported. As evident, all three models include Maastricht-related problems,
predominantly weak governments and intermediate centralization. In addition, model I in-
cludes unemployment, model II a proxy of political competition (the effective number of par-
ties), while model III includes all of these variables. Although all models perform well, model
I is clearly the best specification in terms of consistency and coverage scores, which suggest it
has strong explanatory power and empirical relevance.
### Table 3: Best models

<table>
<thead>
<tr>
<th>Model I</th>
<th>SOCP = f{MAAS, UNEM, MEDC, MING}</th>
<th>Raw coverage</th>
<th>Unique coverage</th>
<th>Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAAS<em>MEDC</em>MING+</td>
<td>0.423077</td>
<td>0.423077</td>
<td>0.960699</td>
<td></td>
</tr>
<tr>
<td>maas<em>UNEM</em>MEDC*ming+</td>
<td>0.192308</td>
<td>0.192308</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>maas<em>UNEM</em>medc*MING</td>
<td>0.153846</td>
<td>0.153846</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>solution coverage: 0.769231</td>
<td>solution consistency: 0.977995</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model II</th>
<th>SOCP = f{MAAS, MEDC, MING, EFFP}</th>
<th>Raw coverage</th>
<th>Unique coverage</th>
<th>Consistency</th>
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<tr>
<td>Complex solution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAAS<em>MEDC</em>MING+</td>
<td>0.423077</td>
<td>0.423077</td>
<td>0.960699</td>
<td></td>
</tr>
<tr>
<td>maas<em>medc</em>MING*EFFP+</td>
<td>0.115385</td>
<td>0.115385</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>maas<em>MEDC</em>ming*EFFP</td>
<td>0.192308</td>
<td>0.192308</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>solution coverage: 0.730769</td>
<td>solution consistency: 0.976864</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Intermediate solution | | | | |
| ming*MEDC*EFFP+ | 0.328846 | 0.192308 | 0.895288 |
| MAAS*MEDC*MING+ | 0.423077 | 0.286538 | 0.960699 |
| maas*medc*MING*EFFP | 0.115385 | 0.115385 | 1.000000 |
| solution coverage: 0.730769 | solution consistency: 0.929095 |

<table>
<thead>
<tr>
<th>Model III</th>
<th>SOCP = f{MAAS, UNEM, MEDC, MING, EFFP}</th>
<th>Raw coverage</th>
<th>Unique coverage</th>
<th>Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex solution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>maas<em>UNEM</em>medc<em>MING</em>EFFP+</td>
<td>0.115385</td>
<td>0.115385</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>MAAS<em>unem</em>MEDC<em>MING</em>effp+</td>
<td>0.115385</td>
<td>0.076923</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>maas<em>UNEM</em>MEDC<em>ming</em>EFFP+</td>
<td>0.192308</td>
<td>0.192308</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>MAAS<em>UNEM</em>MEDC<em>MING</em>EFFP</td>
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<td>0.263461</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>solution coverage: 0.686538</td>
<td>solution consistency: 1.000000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Intermediate solution | | | | |
| MAAS*MEDC*MING+ | 0.423077 | 0.319231 | 0.960699 |
| UNEM*MEDC*ming*EFFP+ | 0.296154 | 0.192308 | 0.885057 |
| maas*UNEM*medc*MING*EFFP | 0.115385 | 0.115385 | 1.000000 |
| solution coverage: 0.730769 | solution consistency: 0.929095 |

Note: For Model I complex and intermediate solutions are identical.
This model reveals three paths or causal combinations that produce the outcome. The first path, which explains the highest portion of the outcome (0.42),6 combines high inflation or deficit with a high proportion of minority governments and intermediate union centralization. The other two paths reflect cases where unemployment, rather than inflation or deficit, was the main economic problem. These two solutions suggest that pacts are a viable strategy when high unemployment is combined with either intermediate centralization or a high proportion of minority governments. Theoretically, these three causal configurations provide plausible explanations of governments’ reliance on pacts during the 1990s. While all countries experiencing high inflation or deficits had to undertake substantial reforms in the run-up to EMU to meet the Maastricht criteria, those that had predominantly weak governments were more likely to do so through formal agreements with social partners. Because of their weakness, minority governments were compelled to seek extra-parliamentary support for reforms, and their incentives to do so would have been particularly strong in cases where unions are neither strongly centralized nor decentralized. In the former case, wage moderation was likely to be more or less automatic because unions in such systems internalize the costs of their wage demands, while in the latter systems unions would likely be too weak to affect aggregate wage developments. For similar reasons it is understandable that minority governments would have been inclined to pursue pacts in cases where unemployment was the main economic problem. Moreover, since unemployment has a particularly strong impact on voters’ decisions and is always politically costly, even non-minority governments could be expected to pursue concerted solutions in cases of intermediate centralization. This is so because in such systems unemployment may be perceived to be a consequence of intermediate centralization, which encourages wage hikes that may generate further cuts in employment.

These three causal paths also seem to offer reasonable explanations for our empirical cases. Path I, which combines high inflation or deficit with weak governments and intermediate centralization, explains the cases of Italy, Portugal and Spain. During this period all three countries struggled with inflation and deficit problems, had intermediately centralized unions and predominantly weak governments. This configuration captures perfectly the case of Italy, which for the most part of the 1990s was governed by electorally weak and unstable governments burdened by several corruption scandals (Baccaro, Carriero, and Damiano 2003; Baccaro and Lim 2007). These governments pursued concertation because solving the inflation and deficit problems, which were particularly acute in the first part of the 1990s, required comprehensive reforms that they were too weak to design and impose unilaterally. Governments in Spain faced similar incentives and were unable to solve Maastricht-related problems unilaterally. This was especially evident after 1993 when the Socialist PSOE government lost its majority and was replaced in the next elections by the conservative Popular Party minority government, which was additionally burdened by the need to prove its democratic credentials (Hamann and Kelly 2007a). A comparable scenario is evident in Portugal from 1995 when the PSD majority government (1987-1995) was replaced by the PS minority government led by Prime Minister Guterres (1995-2001) who made concertation an explicit part of government strategy of adjustment (Campos Lima and Naumann 2005). Path II, which combines high unemployment and predominantly weak governments, explains the case of Ireland. Although the first in the series of regular pacts was signed already in 1987 under the minority Fianna Fáil government, Irish social partnership was far from being solidly institutionalized prior to the

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6 In Table 3, raw coverage indicates the proportion of all cases covered by a particular causal configuration. Unique coverage indicates the proportion of cases explained exclusively by a given causal configuration, that is net of overlaps with other solutions. Overlaps are possible because cases can have partial degrees of membership in different sets, and therefore can be explained partially by more than one causal configuration.
late 1990s. While the key Maastricht indicators had been brought under control, unemploy-
ment remained stubbornly high (in the range of 10-15%) for much of the 1990s. In this con-
text, the continuation of concertation was a rational strategy for internally divided multi-party
colition governments, which apart from 1993-1996 had no majority in the Dáil. Finally, path
III, combining high unemployment with intermediate centralization, corresponds to the case
of Finland. The collapse of the Soviet market drove the Finish economy into a deep recession,
causing unemployment to increase rapidly from 3% in 1990 to over 16% in 1993, and it was
not before 2000 that unemployment finally fell below 10%. Simultaneously, non-binding cen-
tralized wage agreements became increasingly diluted (Lilja 1998), while the growing ten-
dency to determine wages at the industry and even company levels produced a non-negligible
-wage drift, accounting for approximately 35% of wage growth (Usitalo and Vartiainen
2007). This context of high unemployment and more frequent breakdowns in confederal bar-
gaining persuaded the Finish governments to revive and pursue tripartite concertation al-
though they were predominantly stable surplus coalitions.

Overall, the presence of weak governments appears to have been a particularly important fac-
tor for successful concertation. Indeed, this was evident in four out of our five cases of exten-
sive pacting. A reconsideration of negative cases also confirms the importance of this vari-
able. The data show that where economic problems were evident, but governments were not
weak, they either tried to correct imbalances unilaterally, or alternatively threatened unilateral
intervention to convince social partners to craft appropriate bipartite agreements. For exam-
ple, the case of Greece, where Maastricht-related problems were particularly pronounced,
suggests that an uninterrupted rule of single-party majority governments may have acted as a
deterrent to pursuing tangible concerted agreements. The cases of Belgium and the Nether-
lands also support the argument about the importance of government strength. Although infla-
ton was under control in both countries, they encountered non-negligible problems with ei-
ther deficit and debt or unemployment at various points during the 1990s. Rather than invest-
ing heavily in tripartite concertation, governments in these countries tried to induce indirectly
bipartite cooperation between unions and employers. Occasional half-hearted attempts at
broad tripartite agreements were supplanted by explicit threats of unilateral government action
if social partners failed to agree on an acceptable course of adjustment. In both countries, the
credibility of these threats was enhanced not only by the history of government intervention-
ism, but also by the fact that all governing coalitions during this period were able to secure a
majority in the parliament. In the Netherlands, the Lubbers government (1989-1994) con-
trolled almost 70% of seats in the parliament, and the subsequent Kok cabinets (1994-2002)
held 60-65% of the seats. Similarly, the Dehaene government in Belgium was a grand coali-
tion of the Christian Democratic and Socialist parties that managed to secure an impressive
80% of parliamentary seats in the first part of the 1990s, and a comfortable majority thereaf-
ter.

VII. Conclusion

European economies underwent major economic adjustment during the 1990s. Although
heightened international competition, sluggish growth, rising unemployment, and broader
demographic pressures brought the growth of the welfare state to a halt already in the 1980s,
major reforms linking welfare state recalibration with labor market deregulation gained mo-
ment across Western Europe only during the subsequent decade. To no small part this ac-
celeration of reforms during the 1990s was underpinned by the process of monetary integra-
tion, which committed governments to strict anti-inflationary policies and responsible fiscal
spending. Yet although these reforms were broadly similar across countries in that they
sought to reduce labor costs, increase competitiveness and alleviate budgetary burdens, the national strategies of adjustment were far from uniform. While governments in some countries pursued adjustment via tripartite concertation and social pacts, others eschewed formal negotiations with social partners and introduced reforms unilaterally. This paper has tried to understand this variation by exploring conditions that made concerted reforms possible.

Through a fuzzy set analysis of fourteen countries, I tested various hypotheses about conditions that facilitate social pacts. The findings of this analysis indicate that dominant arguments, which emphasize the extent of economic problems associated with the run-up to EMU or more general economic pressures explain only one part of the story. High inflation and deficit or unemployment turned out to be neither necessary nor in themselves sufficient for the extensive reliance on social pacts. Rather, a high economic problem load appears to be causally relevant only when combined with particular political and institutional conditions, namely the prevalence of electorally weak governments and/or an intermediate level of union centralization. That the acuteness of economic problems by itself does not guarantee pacts is understandable because governments could be expected to pursue concertation only when they expect the benefits of concerted agreements to outweigh their costs. Indeed, if bargaining entailed no cost for the government, governments undertaking adjustment would always prefer pacts over unilateralism because such agreements signal a broader support for reforms.

Although the social pacts of the 1990s included no major side payments reminiscent of the Keynesian-era corporatist deals, they nonetheless entailed some non-negligible policy concessions (such as selective tax benefits, more gradual pension reforms, etc) and procedural gains for the unions. The findings of this analysis indicate that governments are willing to pay such costs only when they believe that the resulting agreements would be politically beneficial and help them achieve their underlying goals. Apart from specific economic pressures, government’s electoral strength and expectations about the ability of wage setting institutions to generate desirable behavior appear to be especially important in such calculations.

These findings are broadly consistent with the general thrust of some recent accounts that question the sufficiency of economic pressures as the underlying cause of social pacts (Avdagic, Rhodes, and Visser 2005; Baccaro and Lim 2007; Hamann and Kelly 2007a). The analysis presented here makes two distinct contributions to this literature. First, it evaluates and compares the explanatory power of different hypotheses on a larger number of country cases, while simultaneously generating more precise assessments of necessary and sufficient conditions for pacts. Given the consideration of a wide range of variables and the multitude of model specifications, the resulting causal configurations are unlikely to reflect spurious relationships produced by omitted variables. Second, the fuzzy-set analysis presented here extends and refines existing multi-causal explanations of pacts by demonstrating that there is more than one causal pathway to concerted agreements. In examining the conjunction of multiple causal factors this analysis has identified three distinct, theoretically and empirically relevant combinations of conditions that helped generate pacts during the 1990s. In countries where EMU-related pressures were particularly pronounced, a combination of predominantly weak governments and intermediately centralized unions was required for the adoption of pacts as a strategy of adjustment. Where unemployment, rather than the Maastricht imbalance, was the main economic problem, either weak governments or intermediate union centralization was sufficient for concerted reforms. This study therefore bridges the gap between in-depth single-case studies of social pacts that emphasize context-specificity and the uniqueness of cases, and comparative accounts that search for general explanations applicable to all countries. While the analysis highlights more than one causal pathway in accounting for the resurgence of concertation among our fourteen countries, it also reveals that these explanations are not idiosyncratic and that there is only a limited number of relevant causal patterns.
To be sure, this analysis is limited. Although it considers most West European countries, it focuses on a relatively short period of time in order to control for shifts in the broader economic context. While such cross-national analysis was necessary to assess some leading hypotheses about social pacts, countries may be too crude units of analysis even if we focus on a single decade where they experienced broadly similar pressures, such as those associated with preparations for EMU. A promising avenue for further research would be therefore to move away from the macro-level of analysis, and to examine conditions for the emergence of different types of pacts during a longer period of time. Using individual pacts, rather than countries, as units of analysis would enable us to explore whether the logic of concerted agreements has changed over time. The analysis presented here could serve as a basis for such an undertaking. Since such an analysis would entail a considerably larger N, fs/QCA could be fruitfully combined with regression analysis to examine both configurational and tendential relationships.
VIII. APPENDIX

VIII.1. Variable Descriptions and Data Sources

VIII.1.1. Core Causal Conditions

**Maastricht Imbalance (MAAS):** A macrovariable indicating the overall extent of inflation or deficit problems during the 1990s. It reflects joint membership in the six-value fuzzy sets “High Deficit” and “High Inflation” as determined by “logical OR.” Fuzzy membership is based on an index of deficit and inflation problems, which is calculated as follows: In the case of deficit, score 1 is assigned when the deficit is above the Maastricht limit of 3% of GDP, but lower than 4%; score 2 when the deficit is between 4% and 5%; and score 3 when the deficit exceeds 5% of GDP. In the case of inflation, the EMU convergence criteria stipulate that a country’s inflation should be no more than 1.5 percentage points higher than the average inflation rate of the three best performing countries. Score 1 is assigned when inflation exceeds this limit by no more than 2.5 percentage points; score 2 when inflation is up to 5 percentage points above the limit; and score 3 when inflation exceeds the Maastricht limit by more than 5 percentage points. The annual scores are then summed to reflect the overall problems over the 1990s. At least 10 on this index is needed for full membership in these sets, indicating that a country had a considerable deficit or inflation problem during the 1990s. At least 5 is required to be considered more in than out of these sets, and a maximum of 1 is allowed for full non-membership. Source: OECD Economic Outlook 2007 and IMF World Economic Outlook Dataset 2007.

**High unemployment (UNEM):** A six-value fuzzy set based on 3-year moving averages. To be a full member in this set, a country’s unemployment has to be at least in double digits. A cross-over point is 7%. Unemployment rates below 4% correspond to full non-membership, as such levels are unlikely to present a significant problem for the economy. Source: OECD Main Economic Indicators, 2007.

**Encompassing unions (DENS):** A six-value fuzzy set based on the average net union membership as a proportion of wage and salary earners in employment during the 1990s. Since no advanced democracy has fully unionized workforce, union density of at least 80% is required to qualify for full membership; less than 5% indicates full non-membership. Given a general fall in union membership over the past few decades 40% rather than 50% is chosen as a cross-over point. Source: Jelle Visser, *Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 26 countries between 1960 and 2006 (ICTWSS)*, University of Amsterdam, 2008.

**High Union Centralization (CENT):** A six-value fuzzy set based on the centralization index originally proposed by Iversen (1998) and updated by Visser (2008), averaged over the 1990s. This is a measure of wage bargaining that takes into consideration both union concentration and authority at multiple levels of bargaining. In theory, the index ranges from 0 to 1, with higher values indicating a higher degree of centralization. In reality, only Austria has a centralization index higher than 0.6. On the other end of the scale are the UK and France with the centralization index lower than 0.3. Correspondingly, at least 0.6 is needed for full membership in this set; figures below 0.3 indicate full non-membership; and 0.4 is considered to be a cross-over point. Source: Visser (2008).

**Intermediate Union Centralization (MEDC):** A dichotomous set based on the same data as CENT. Figures between 0.35 and 0.45 are considered to depict medium centralization (personal communication with J. Visser) and reflect full membership in this set. All other figures (both higher and lower) reflect full non-membership.
High Left Cabinet Incumbency (LEFT): A six-value fuzzy set based on the cumulative index of left cabinet incumbency. This measure reflects a sum of values over 1990-1999 of social democratic and other left parties as percentage of parliamentary seats held by the governing parties weighted by the number of days the government was in office. The maximum value in any given year is 1, denoting a perfect hegemony of left parties in the cabinet. Since no country had a total hegemony of left parties over the decade, a cumulative index of at least 8 is required for full membership. A cross-over point is set at 50% of this value, and a cumulative index below 1 reflects full non-membership. Source: Klaus Armingeon, Marlène Gerber, Philipp Leimgruber, Michelle Beyeler and Sarah Menegale. *Comparative Political Dataset 1960-2005*, Institute of Political Science, University of Berne, 2008.

Predominantly Weak Governments (MING): A six-value fuzzy set based on the number of years in which a minority or caretaker governments were in power during the 1990s. To qualify for full membership in this group, a country is not allowed to have a non-minority government for more than one year. Full non-membership corresponds. Full membership in this set corresponds to at least 9 years of minority governments, and at least 5 years is needed to be considered more in than out of this set. A country with no minority governments during this period is considered to be fully out of the set. Source: Armingeon et al (2008).

High Electoral Pressures (EFFP): A six-value fuzzy set based on the average effective number of parties and their relative weight, as proposed by Laakso and Taagepera (1979). Full membership in this set is reached when the effective number of parties is at least 4.5, while full non-membership is evident when this number does not exceed 2. An average of more than 3 effective parties is needed for a country to be considered more in than out of this set. Source: Armingeon et al (2008).

VIII.1.2. Additional causal conditions

Insufficiently Restrictive Monetary Regime (CBDP): A six-value fuzzy set based on an index of central bank independence that combines four most widely used CBI indices. The index ranges from 1 to 3, with higher values representing a lower degree of central bank independence. Correspondingly, 3 on this index corresponds to full membership in this set, 1 reflects full non-membership, and 2 is a cross-over point. Source: Armingeon et al (2008).

Strong Tradition of Consensus Democracy (CONS): A macrovariable capturing the consensus-orientation of the system during 1971-1996, as calculated by Lijphart (1999). This variable reflects joint membership in the sets “Proportional Electoral Systems” and “Multi-Party Systems.” Because consensus democracy requires high membership in both sets, “logical AND” is used in creation of this macrovariable. The first set is based on Gallagher’s disproportionality index, which captures the difference between the number of votes a party gets in the elections and the number of seats it subsequently secures in the legislature. Theoretically, this index ranges from 0 to 100, where lower levels indicate more proportional systems reminiscent of consensus democracy. In practice, however, the index ranges from 1.3 in the Netherlands and Austria to 14.7 and 18.76 in the UK and France respectively, with the remaining countries being well below 10. Correspondingly, values below 2 on this index correspond to full membership in the set of proportional systems; values above 10 reflect full non-membership; and 6 is a cross-over point. The index of the effective number of parties is used in the construction of the second set. Membership in this set is determined on the basis of the same criteria as in EFFP above. Source: Armingeon et al (2008).

High Economic Openness (OPEN): A six-value fuzzy set based on the sum of exports and imports as a percentage of GDP averaged over the 1990s. This index has to be at least 100 for a country to qualify for full membership; at least 50 to be considered more in than out of this
set; and less than 10 to be fully out of the set of highly open economies. Source: Alan Heston, Robert Summers and Bettina Aten, *Penn World Table* Version 6.2, University of Pennsylvania, 2006.

IX. References


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