The Political Foundations of Redistribution and Equality in Postindustrial Capitalist Democracies

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Abstract

Does the organization of business matter for redistribution and labor market equality in post-industrial democratic capitalism? Conventional welfare state analysis has given this significant question scant attention. We argue, however, that high levels of employer organization, as well as the persistence of centralized bargaining and national policy formation between these well organized employers and comparably organized labor (or macrocorporatism), are likely to foster employer support for progressive policies, strengthen labor support for egalitarian policies that encompass the interests of labor market outsiders, and otherwise promote redistributive policies and outcomes. We test our arguments with quantitative analysis of early 1980s-to-2000s pooled time-series data from 18 nations as well as brief, illustrative case analysis of policy change in Denmark and Germany We find that highly organized employers as well as macrocorporatism are consistently, strongly, and positively related to overall government redistribution among working-age families, social protection for workers, and active labor market policies. They are also strongly and negatively related to the prevalence of low-wage labor, market income inequality, and other features of labor market dualism such as involuntary part-time work, temporary contract jobs, and long-term unemployment. These quantitative results emerge in models that account for electoral and partisan politics, features of post-industrialization and economic performance, and other forces highlighted in recent work on redistribution and inequality in contemporary capitalist democracies.

INTRODUCTION

Does the organization of business matter for social policy development and redistribution in postindustrial capitalist democracies? More broadly, does the persistence of national coordination among employers, labor, and the state play a significant role in maintaining redistribution and policies to combat social exclusion in the face of inegalitarian forces such as deindustrialization? This seemingly esoteric set of questions has potentially profound ramifications. As is widely recognized, market income inequality has increased notably since the 1980s in virtually all the rich democracies (e.g., Pontusson 2005; OECD 2009); forms of labor market dualism such as pervasive low-wage work, involuntary part-time work and temporary jobs have emerged across the post-industrial capitalist economies (e.g., King and Rueda 2007; Kenworthy 2008). As such, an understanding of the political and institutional basis of policy responses to these inegalitarian trends is of fundamental academic and practical importance.

As we have argued in previous work on the development of active labor market policies (Martin and Swank 2004), whether programs to train and to employ the marginally-skilled are legislated and succeed may depend on employers' political support and programmatic assistance. In the current paper, we extend our assessment of this argument in two ways. First, we substantially expand the range of our analysis from 1980s-to-1990s active labor market policies (hereafter ALMP) to overall government redistribution to working-age families, social protection for workers (i.e., income replacement, entitlement provision, population coverage rates), and 1980s-to-2000s ALMP as well as income and labor market outcomes. Second, we theoretically extend the logic of our argument to propose that the strength of macrocorporatism, or the persistence of the highly organized employers, comparably organized labor, and their interaction in centralized collective bargaining and national policy-making forums in the postindustrial era, is crucial for the maintenance of redistribution, specific progressive social policies, and egalitarian income and labor market outcomes.

EMPLOYERS AND THE POLITICS OF REDISTRIBUTION

Welfare state scholars have generally assumed that employers are largely irrelevant to class coalitions in support of equality: or to be more precise, equality increases when the right is successfully beaten down by the left with, perhaps, assistance from the center. To this end, scholars have noted that countries with a high degree of union organization and working class participation in government through left parties tend to have larger welfare states (Hicks and Swank, 1992; Korpi, 1980; Stephens, 1980). Social democracy, and for some scholars communitarian Christian democracy and favorable political institutional conditions as well, are largely responsible for the development of egalitarian welfare states in the 20th century (e.g., Hicks 1999; Huber and Stephens 2001). In countries where the right is divided, progressive parties are more likely to gain control of government and to enact highly redistributive public policies (Castles 1979). Under some conditions, employers are forced to make concessions to their workers when confronted with a powerful labor movement or leftist party and managers may begrudging come over time to alter their expectations about certain types of legislative outcomes (Huber and Stephens 2001; Hacker and Pierson 2002).

Scholars also consider the circumstances under which middle class citizens are persuaded to join forces with the left, to demand higher levels of equality, and to support policies that redistribute resources from the rich to other classes. Well-known median voter models of redistribution in democratic capitalism (e.g., Meltzer and Richard 1981; Romer 1975) assume that under a system of transfers financed by a proportional tax, relatively poorer voters clearly benefit from redistributive social welfare spending. Thus, the magnitude of fiscal redistribution by the state in democratic polities is determined by the degree of market income inequality or, more precisely, the ratio of the income of mean voter to the income of the median voter. In the face of weak empirical evidence for this standard model, Moene-Wallerstein (2003) have offered an alternative model of redistributive social insurance, where increases in the income of median voters (toward the mean income) will actually generate more demand for generous social insurance against job loss through unemployment, sickness, accidents and so forth. While demand for general social protection that benefits all citizens may decline, more egalitarian economies with relatively high-income median voters will be characterized by at least moderate income redistribution through generous social insurance for current workers.

In another influential formulation, Iversen and Soskice (2006) attribute the political positions of middle class voters to electoral systems, suggesting that while median parties (and voters) have an incentive to form alliances with the left to soak the rich, middle class voters only act on this interest in multiparty systems, when they trust that their representative party will guarantee their interests after the election.[1] Alternatively, Lupa and Pontusson (2008) attribute the positions of middle class voters to structures of wage compression at the top and bottom of the wage scale: where income differentials among top and middle earners are greater, and where incomes of the middle and the bottom are similar, there will be more fiscal redistribution by the state. Scholars have also considered the degree to which governmental structures either restrict or facilitate conservative opposition to social reforms; for example, required legislative supra-majorities or institutional veto points are more likely to allow reform opponents (and employers are usually considered to be part of the opposition) to derail social reforms (Huber and Stephens 2001, Immergut, Steinmo). These diverse models share a common assumption: preferences of voters on the right are relatively fixed, as employers are assumed to largely oppose redistributive social policies, for example, in both majoritarian and proportional systems. Employers remain an obstacle to efforts to create social protections or to achieve higher levels of social equality (Korpi 1980; 2006).[2]

Yet the irrelevance of business in debates over the welfare state is far from clear. A distinguished tradition of economic historians and a more recent wave of comparative political economists view employers as potentially supportive of social reforms and assign a positive role for employers in cross-class coalitions (Martin 1995, 2000; Hall and Soskice, 2000; Swenson

[1] Median voters in majoritarian, two-party systems, however, have reasonable fears that the left parties will tax the middle class after the election; consequently, they tend to form alliances with the right.

[2] Scheve and Stasavage (2009) have recently disputed the impact of social democracy, centralized wage setting institutions, and related political forces in the long-term evolution of income inequality in 20th Century democratic capitalist nations.

2002; Mares 2003). Unfortunately, debates over the relative contributions of business and labor power to welfare state development sometimes takes on an acrimonious tone (e.g., Korpi 2006; Swenson). This acrimony is unnecessary, since the development of institutions for coordinating employers and labor have had a profound impact on one another. In addition, while labor activism may well constitute the motivation for the expansion of many social provisions, business elites have often been crucial participants in the decision making about the forms of social provision (Chapman). Thus it is important to understand what drives employers to participate in these decisionmaking processes.

Understanding the material interests of firms can help us begin to grasp why some companies are more willing than others to support (or, perhaps, not vigorously reject) social protections.[3] We might reasonably expect that, all things being equal, employers resist policies that increase their costs of production and have a negative impact on profitability, for example, by increasing tax burdens or raising the wage floor of collective bargaining (Block, 1977; Jacobs 1988; Lindblom, 1977; Kalecki, 1971; but see Przeworski and Wallerstein, 1988; Swank, 1992). Yet all things are not equal and some firms might be more willing to make concessions to labor and the state than others, either because these companies are more sensitive to opposition from other classes or because they can more easily accommodate these demands. Thus, firms that are particularly sensitive to labor unrest might develop social benefits to stem the demands of their workers or to prevent the unions from getting a toehold in the company (Jaccoby). We might suspect that highly capital-intensive firms would be more willing to support conciliatory social benefits than labor-intensive firms, both because these companies are more deeply harmed by disruptions in the production process and because workers' wages are a lower proportion of their total production costs (Ferguson). Firms already offering some benefits might support the creation of governmental social programs in order to impose comparable costs on their competitors (Gordon, 1991). Employers might also become involved with public debates over social provision in order to frame policies in their own terms (Ferguson, 1984; Craig and Jenkins, 1989).

In addition to these negative reasons for reluctantly accepting social programs, firms might determine that certain types of social provisions make a positive contribution to the productivity of the firm. Thus, employers' interests in social protections may go well beyond concerns about preventing labor unrest; rather employers might seek to use social protections to develop worker skills, health, or other aspects of human capital. Recent writings on the "varieties of capitalism" suggest an important relationship between social protections and production strategies. Employers in "coordinated market economies" (CMEs) derive economic advantage not only from physical and factor components, but also from a highly-skilled workforce and high levels of non-market coordination, that allow firms to compete in more profitable market niches. These firms desire government interventions that contribute to the expansion of skills, such as

[3] A body of scholarship deduces companies' economic strategies and political preferences from the industrial structure of the firm (Porter (1980) and political preferences in this model constitute a subset of economic strategies (Hillman, Keim, and Schuler, 2004). Public policies create market conditions allowing companies to improve their competitive advantage; to increase their market share; or to augment their bargaining leverage over suppliers, customers and workers (Gale and Buchholz, 1987, 34-5).

high levels of social protection and policies fostering cooperative labor relations. Two types of social protections encourage the development of specific skills that might otherwise be considered a risky investment in times of worker layoffs and market fluctuations. Unemployment insurance and related social transfers as well as employment protections (for example, prescribing the terms of job termination) bring workers to feel secure in their jobs and, more readily, to invest in skills that are specific to their own firm. Alternatively, in liberal market economies such as the United States where labor-management relations are contentious and social protections are spotty, neither workers nor employers have incentives to invest in specific skills, and competitive strategies are based on general skills that enable rapid retooling (Hall and Soskice, 2001; Estevez-Abe et. Al, 2001; Visser and Hemmerjck, 1997; Manow, 1998; Coates, 2001; Hay, 1997; Ebbinghaus and Hassel, 2000; Mares, 1997; Wood, 2001; Regini, 1995; Huber and Stephens, 2001.)[4]

While this highly stylized rendition of coordinated and liberal economies offers insights into the important links between social protections and skills, it tends to overestimate the homogeneity of models, nations, industries or even firms within nations and to underestimate the importance of specific skills to some firms in liberal countries. Within national models of production is much diversity, and this is especially true of large liberal market economies such as the United States, where sectors and firms vary enormously in competitive strategies. Generally, explanations for employers' preferences rooted in the economic characteristics also have a somewhat rigid definition of preference and pay little attention to the way that institutions shape interpretation. Several positions might be in a firms' interest and institutional channels for information are important to the specification of interest (Hillman and Hitt, 1999; Yoffie, 1984, 45; Granovetter, 1985; Penrose, 1959; Crystal, 2003; Friedland and Robertson 1990, 32; Moe 1987, 277). To this issue we now turn.

Associations and the Logic of Employers' Social Collective Action

Central to our theory of redistribution in postindustrial democratic capitalism is the argument that higher levels of organization make employers more likely to support government social policies. This is likely because groups have political economic, collective action, and cognitive effects. First, as to political economic dynamics, the varieties of capitalism authors accurately suggest that the dense networks of institutions found in coordinated market economies create possibilities for supportive labor-management relations, extensive vocational training, and high levels of social protection: these, in turn, tend to encourage both labor and management to develop close economic cooperation, to increase long-term investment in skills, and to develop higher rates of productivity (Hall and Soskice 2001; Kitschelt, Lange, Marks, and Stephens, 1999b; Estevez-Abe et.al. 2001; and Swenson, 2002).

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[4] Other types of social programs also contribute to worker productivity, by indirectly fostering the development of worker skills and/or productivity. Quality child care and flexible family leave policies curb absenteeism and to improve retention rates (Bond). Preventative health care improves employees' productivity, and short term savings in medical coverage has been found to be less cost-effective in the long run (Porter and Teisberg, 2006).

Most importantly, highly-organized business and labor associations have permitted the evolution of high levels of coordination in collective bargaining; centralized bargaining, in turn, tends to produce wage compression and a more narrow wage gap between the most and least skilled blue collar workers. This wage compression motivates employers to eliminate low-skilled jobs within their companies and to support social protections that will induce workers to make the investments necessary to obtain higher levels of skills. Thus, there is a clear rationale for countries with greater wage equality to support high levels of vocational training (to obtain skills), and high levels of unemployment insurance and employment protections (to assure workers that their investments in specific skills will not increase their vulnerability to market fluctuations). Yet, support for social protections that disproportionately benefit core workers may operate according to a quite different logic than support for redistributive policies geared to address the needs of marginal workers; therefore, one needs to understand why employers would support social benefits for marginal groups and would make a commitment to bringing a broader cross-section of society into the labor market (Martin and Thelen 2007; Swank, Martin and Thelen 2008). This leads us to other effects of highly-organized associations that have more bearing on business support for social programs addressing labor market outsiders.

Second, highly-organized business communities can solve the collective action problems that otherwise constrain the provision of collective social goods. Collective goods tend to be under-supplied when left to individuals, because the benefits of the good cannot be restricted to those who bear the cost of providing the goods (Olson 1965). For example, when the provision of skills is left up to private firms, only some employers will perform this task: employees have an incentive to leave a firm after receiving training because they should be able to receive higher wages where training is not provided. While some companies have developed institutional arrangements to protect against the risks of providing social benefits (i.e. with the creation of internal labor markets), only large firms can do this.

Encompassing employers' organizations make collective social benefits more easily achieved, by resolving the collective action problem: encompassing employers' and labor associations can foster collaboration on the provision of skills through the development of highly-coordinated vocational training systems, administered either by the state or by private unions and employers' associations. These associations, thereby, produce a more highly-skilled blue-collar labor force, permit a competitive strategy resting on nonmarket coordination and create the demand for expanded social protections. Generally, the importance of associational infrastructure to investment in collective social goods such as skills is most apparent in the negative experience; thus, their lack of strong encompassing employers' organizations has rendered American managers largely incapable politically of securing collective human capital investment policies (Martin 2000). A larger share of social benefits has been provided by American private firms than is the case in coordinated countries, where collective arrangements provide benefits, administered either by government or by private unions and employers' associations (Esping-Andersen 1980; 1999).

Finally, highly-organized business associations have cognitive effects on their members, in that they educate employers about the benefits of social policies and bring managers into contact with policy experts from government and organized labor. While employers sometimes favor government policies or private arrangements to protect workers from social risks, this favorable view of the social agenda is hardly hegemonic among all employers. Firms have multiple objectives, many intermediate goals coexist with the primary ambition of profit maximization, and decision making usually occurs under conditions of bounded rationality in which full information is not available (Penrose; Thompson, 1982, p. 233; Fligstein,1990; Cyert and Marsh; Powell and DiMaggio, 1991). Firms must make strategic decisions in developing policy preferences and even companies with the same economic characteristics may develop very different political profiles (Hillman and Hitt, 1999; Yoffie, 1984, 45). Thus the question of *perception* becomes important: we need to understand when companies view social supports as contributing to their bottom lines, and when they believe that the benefits of social programs (in added productivity) outweigh the additional costs to the production process.

Organizations influence how firms' conceptualize their preferences for social policies; in particular, employers' associations channel new ideas that change their member's perceptions of interests and foster broader political identities (Moe 1987, 277; Granovetter 1985, 481; Friedland and Robertson 1990, 32; Scott 1985; Snow et al. 1986, 464-81; Tourraine 1985, 749-788). When firms are organized collectively, individual managers from diverse sectors come to identify with one another, to set a priority on shared concerns, and possibly to take action (McAdam 1988, 128-136; Plotke 1992, 175-198). Thus business associations not only represent their members' interests, but also shape their preferences (Martin, 2000; Turner, 1982; Grimm and Holcomb 1987, 105-118).

Yet, not all groups will make employers favor social policy: belonging to the Federalist Society or the Hell's Angels, for example, is not likely to draw one to look favorably on state intervention. Certain structural characteristics of groups are more likely to engender positive views of collective social solutions among their members than others, and scholars divide employer organizations into two broad groupings: corporatist and pluralist associations. Institutional characteristics of scope, exclusivity, and degree of centralization distinguish these "pluralist" and "corporatist" models of association and influence how employers engage politically to achieve collective goals. Corporatist groups, found in many continental European countries, are centralized, functionally-specific, hierarchically-ordered, encompassing, and have a peak employers' association, that brings enterprises together and cooperates closely with labor and with government (Schmitter; Wilson, 1990). With pluralist groups (e.g in America), firms tend to belong to multiple groups and the groups overlap in function. Thus the groups are rather narrow in scope, are not exclusive representatives of their members and are not hierarchically organized into a centralized peak association. General Motors may well belongs to the Automobile Manufacturers' Association, the National Association of Manufacturers and the Chamber of Commerce, and while the auto association has a more limited focus than the other two, all the groups more or less do the same thing. Thus, pluralist groups tend to compete with one another for members, are highly risk-adverse, and have a limited capacity to foster cooperation.

Corporatist groups are better able to promote collective action for shared goals, because the associations focus participants' attention on broader, shared concerns; and cognitive benefits of association are reinforced by the norms of cooperation, trust, and "social partnership" that develop in these groups and between them and labor (Crouch 1993; Katzenstein 1985; Rothstein 2000). Participation in these corporatist groups helps to overcome the limits to collective action by binding firms to negotiated decisions and bringing members to trust that they will not be punished for commitment to longer-term goals ((Streeck, p. 265-84; Rothstein, 1988, pp. 235-260; Katzenstein, 1985; Visser and Hemmerijck.1997). Thus, corporatist institutions have an economic logic (their encompassing organization of functional economic interests internalizes "externalities") and a political logic (sustained interaction enhances accommodation among social partners) that facilitate a search for the public good (Visser and Hemerijck, 1997; Putnam, 1993). In contrast, pluralist interest groups tend to concentrate on the particularistic self-interests of their members.

This is not to say that business interests are *a priori* less diverse in countries with a high level of corporate organization; indeed, significant material cleavages divide employers in all advanced, industrialized countries (Ferguson, 1984; Gourevitch; Kurth). Potential divisions among employers (i.e., the divergence of policy preferences) along the lines of internationally exposed versus sheltered markets, industrial production versus services, capital versus labor-intensive production, and labor force composition are especially pronounced in postindustrial capitalism (Wilson 2003). But the aggregation of interests at a higher level of organization allows participants to find common ground more easily and to build and sustain employer coalitions to support, for example, income restraints to achieve price stability or policies for skills-upgrading, human capital development and solidarity (Streeck 1992; Visser and Hermerijck 1997; Martin, 2000).

Yet this bimodal view of nations – those with high levels of coordination and those without – masks the fact that the cooperative behavior of employers and modes of economic coordination can occur at various levels of society. Coordination can transpire through largely private relations between industry-level associations and unions or can entail a strong role for government in sustaining national collective bargaining and interest intermediation through tripartite policy-making channels (Martin and Thelen, 2007; Swank, Martin and Thelen 2008; see also Hicks and Kenworthy, 1998). In fact, it makes sense to talk about three systems of employer organization and associated patterns of coordination.

First, "macrocorporatism" utilizes national associational forms of institutional cooperation with high levels of national coordination in collective bargaining process and interest intermediation through tripartite policy-making channels. Here the state plays a coordinating role and coordination is focused on broad collective concerns. Peak employers' associations and unions are highly-centralized (with a high level of power by peak federations over members), highly coordinated among collective bargaining units, and highly integrated in national policy forums. Second, coordination can predominately entail cooperation between firms and/or workers at a more intermediate level and may include cooperation across enterprises that is less national in focus and that evolves without direct ongoing state participation. Hicks and Kenworthy (1998) have called this firm-level (or micro-) corporatism, but following Martin and Swank (2004) we will refer to this as "enterprise cooperation." This form of coordination includes tightly-coordinated connections among purchasers and suppliers, cooperation among competing firms within the same industrial sector for training or for research and development, long-term relations between firms and investors, and enterprise-based labor-management cooperation.

Finally, "pluralism" is a third way of organizing employers and broader economic relations. Coordination can be found in pluralist countries in the strategies of some individual firms' to cooperate with and attract labor with company social policies, work councils, and shop-floor production teams. Yet these "segmentalist" strategies are seldom found above the firm level, employers remain very divided in their political representation, and market-based coordination of economic production is pervasive.

– Table 1 about here –

For our quantitative analysis of redistribution, social policy, and equality presented below, we construct empirical measures of these central features of coordination: the degree of employer (and union) organization as well as macrocorporatism and enterprise cooperation. In constructing indicators of general modes of economic coordination, we follow our earlier analysis (Swank and Martin 2001; Swank 2003); this work demonstrates that core features of the national organization of employers and unions as well as the centralization of wage bargaining cohere around one dimension of coordination while major elements of enterprise-driven cooperation cohere around a second dimension (see Swank 2003, pp. 60-65). Thus, we combine indices of employer and union organization with bargaining centralization to construct our core measure of macrocorporatism; we index measures of cooperation among competitive firms in R&D, training, standard setting, and export strategy; purchaser-supplier integration; financial-productive firm integration; and enterprise level labor-management cooperation to fashion of our measures of enterprise cooperation. For the level of employer organization, itself, we index the presence of a national employers' federation, the peak federation's powers over members (i.e., appointment power, veto power over collective bargains and lockouts, own conflict funds), and policy-process integration of employers (e.g., representation on boards, commissions); for union organization, we combine union density, union peak association power (as for employers), and policy-process integration of labor.

We display 1980-to-2002 average scores on these dimensions of coordination in our 18 focal nations in Table 1. The Nordic nations, along with Belgium and Austria, exhibit relatively high levels of macrocorporatism (and employer and union organization) in the contemporary era. Italy, Germany, Ireland, the Netherlands, and Australia have generally moderate levels of macrocorporatism and employer and union organization (with Germany exhibiting relatively strong employer organization). A middle-tier of political economies as ordered by degree of macrocorporatism – Finland, Austria, Italy, Germany, Australia, Switzerland, and Japan – have moderate to high degrees of enterprise cooperation. The last set of countries, anchored by four Anglo nations, exhibit relatively low levels of employer and union organization and of nonmarket coordination.[5]

Employers, National Coordination and Their Impact on Equality. As suggested by our arguments, we expect that net of other forces, the level of employers' organization should be positively associated with government redistribution across working-age families, social protection for workers, and, as we have argued in our previous work, the magnitude of national resource commitments to active labor market policies.[6] We also anticipate that through these and associated policies and practices, the level of employers' organization should be negatively associated with the prevalence of low-wage labor, market income inequality, and features of labor marker dualism such as involuntary part-time work, temporary jobs, and long-term unemployment.

We also stress that the broader system of coordination should be crucial for national patterns of redistribution, social protection, and inequality. Strong and persistent macrocorporatism is especially important. In pluralist systems, social partners provide input primarily through the legislative process, while in corporatist settings, employers are more likely to significantly influence, if not directly develop, policies through the collective bargaining process or in tripartite advisory commissions of administrative governmental agencies. Iterative corporatist patterns of interaction create a positive sum game for business and labor in tripartite or collective bargaining settings: because the groups foster a long-term perspective and guarantee compliance, each side is more willing to take positions that will benefit the broader economy (Wilensky, 2002; Mosley et. al. 1998; Streeck and Schmitter, 1985, Crouch, 1993; Hicks and Kenworthy, 1998).

While both countries with strong macrocorporatist institutions and those relying more on enterprise coordination may have relatively high levels of coordinated collective bargaining and tripartite negotiations, macrocorporatist countries have a bigger role for the state in policy development and more encompassing structures. These highly-organized employers'

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[5] Corporatism systems of industrial relations have been challenged by domestic and international structural changes in the contemporary era; in fact, our standard-score index of macrocorporatism has declined on average from .10 in the early 1980s to -.10 in the early 2000s, and several countries have witnessed greater decline. However, the decentralization of collective bargaining, the fragmentation of peak associations, and decline of general social corporatist institutions is easily exaggerated. First, despite the instability and decentralization of centralized wage-setting institutions in some corporatist countries, there is a surprising persistence of highly centralized labor and industrial relation systems in Northern Europe (Wallerstein and Golden, 1998). In fact, our index of macrocorporatism averages .77 in the "relatively strong" category in Table 1 in the early 1980s while declining to only .74 in the early 2000s. Second, corporatist representation of labor, business, and other interests in national policy-making forums is still robust (e.g., Berger and Compston 2002), Finally, (re)centralization of bargaining and the extensive use of social pacts has occurred in many nations during the 1980s to the present (Visser and Hemerijck, 1997; Perez, 1998; and Rhodes, 1998; Hamann and Kelly 2007).

[6] We explicitly limit our theoretical and substantive concerns to redistribution and inequality for workers and their families in postindustrial capitalism. Consideration of policies and outcomes for all families (i.e., a move to the inclusion of households headed by retirees) adds substantial methodological complexity (e.g., Brady *et al* 2003) and extends the subject matter beyond the scope of this study (e.g., it would extend our analysis to the politics of pensions).

associations at the national level, thus, offer governments an institutional vehicle through which to build business support for social welfare initiatives (Katzenstein; Martin 1991). Governments may rely on employer organizations to implement public policy because these associations can motivate a high degree of corporate compliance (Soskice 1990, p. 43). Consequently, scholars of corporatism generally agree that countries with encompassing employers and labor organizations are more likely to produce collectively beneficial outcomes than those without such groups (Wilensky, 2002; Henly and Tsakalotos, 1992, p. 566-568; Crepaz, 1992; Kendix and Olson, 1990; Streeck and Schmitter, 1985, Crouch, 1993; Hicks and Kenworthy, 1998).

In addition, macrocorporatism, by definition, entails densely organized and nationally centralized labor unions, and sustained interaction between these associations and employers and the state in national collective bargaining and tripartite policy-making forums. As such, traditional labor preferences for social protection and egalitarian outcomes should be directly reflected in national policy and performance. In addition, corporatist labor organization and associated institutions should trump a labor market-insider strategy for progressive parties. With respect to this strategy, Rueda (2007) has argued that social democratic parties, in the face of postindustrial pressures, have commonly decided to favor their core constituency of industrial workers with maintenance of social and employment protection policies. As part of this strategy, they have explicitly eschewed expensive social and labor market policies to promote the full economic inclusion of labor market "outsiders" (e.g., unskilled workers, the long-term unemployed, newer labor market entrants such as women). Iversen (2009) similarly argues that Christian democratic parties may pursue essentially the same mix of policies to benefit their traditional core constituencies of skilled workers and segments of the middle class. Yet, it seems clear that where labor organization and macrocorporatist institutions are strong, the interests of these labor market outsiders are likely to be incorporated to a significant extent in labor union policy preferences and political strategies, recognized by employer organizations, and, in turn, reflected in national policy and outcomes.[7]

Overall, for these reasons, we expect macrocorporatism to exert significant and positive effects on redistribution across working-age families, social protection for workers, and active labor market policies; macrocorporatism should also mute market income inequality and key features of labor market dualism such as low-wage work, involuntary part-time jobs, temporary employment, and long-term joblessness. We now turn to an empirical assessment of these central claims about egalitarian impacts of organized employers and the broader institutional configuration of macrocorporatism.

EMPIRICS: QUANTITATIVE ANALYSIS

To assess the impacts of high levels of employer organization and the associated institutions of macrocorporatism on redistribution and equality, we develop and estimate

[7] Huo (2009), in his comprehensive analysis of social democratic "third way" reforms, also emphasizes that the maintenance of high levels of union organization are likely to foster inclusion of labor market outsider interests. Rueda (2007), on the other hand, considers and rejects this argument on the basis of empirical results which suggest social democratic parties are not limited by corporatism from their pursuit of insider strategies.

empirical models of specific indicators of government income redistribution, social policy and labor market outcomes. Where possible (for social protection), we begin our analysis in the 1970s when postindustrial pressures and economic performance problems in advanced capitalist democracies intensified (e.g., Scharpf and Schmidt 2001). For most analyses, we estimate models of annual national pooled time-series data from the early 1980s to the 2000s (typically to 2002 or 2003). We draw upon data from 13 to 18 nations depending on the analytical focus: for redistribution, we use the familiar Luxembourg Income Study (LIS) data from 13 nations; for social protection and ALMP we have data for 18 capitalist democracies (from the well-know OECD, *Social Expenditures Data Base*).

Guided by our theoretical and substantive concerns, we focus on three specific indicators of redistribution and social policy: the absolute change between the pre- and post-tax/transfer GINI index for income inequality in working-wage families; an index of income replacement rates, entitlement rights, and population coverage rates for the core programs of unemployment and sickness insurance for workers developed by Scruggs; and spending on active labor market policy as a percentage of GDP (see Appendix for details and data sources for all variables).[8] We should emphasize that while the measure of social protection for current wage earners certainly taps income-support for core-sector workers, it, along with active labor market policy, is also important for marginal workers, the unemployed, and other labor market "outsiders." Specifically, our measure includes key features of entitlements (e.g., waiting days, and benefit duration) as well as population coverage. Thus, variation in our index of social protection should capture key responses to pressures on vulnerable groups in the labor market and broader society (e.g., probability of benefit coverage) as well as policies such as income replacement rates that are of central importance to more skilled or upscale workers.

For indicators of outcomes, we focus on the prevalence of low-wage labor, as measured by the ratio of income for the median to the 10th percentile full-time worker ("50-10" ratio), the percentage of full-time workers below one-half the median wage, and the GINI index of market income in working-age households. For our analysis of the determinants of these outcomes, we estimate our models for all advanced capitalist democracies for which we have annual time-series data (17 nations for the 50-10 ratio, 14 nations for low-wage earners, 13 nations for market inequality). Yet, as King and Rueda (2007) have noted, and as our analyses below suggest, the growth of low-wage full-time workers, in particular, seems particularly pronounced in the liberal market economies. On the other hand, labor market dualism in the coordinated market economies has predominately taken the form of substantial involuntary part-time work, temporary contract employment, and long-term unemployment in some CMEs. We therefore refine our analysis and examine the determinants of three indicators of labor market dualism – involuntary part-time workers as percent of total employment, temporary contract employment as a percent of total employment, and long-term unemployment of 12 months or more as a

[8] In the assessment of the robustness of our findings on the determinants of redistribution, we also estimate our model with the percentage change from pre- to post-fisc GINI index. We follow Kenworthy and Pontusson's (2005) suggestion that absolute rather than percentage changes in pre- to post-fisc working-age household inequality offers a straightforward and easily interpretable measure of government redistribution. In the end, as we show, the choice of measures of redistribution does not matter for the results of our analysis.

percent of total unemployment – for the 11 coordinated market economies from the early 1980s to 2000s.

Redistribution, Social Protection, and Active Labor Market Policies

Table 2 displays 1980s to 2000s variation in government redistribution by the state, social protection for workers, and ALMP in the 18 largest most affluent capitalist democracies (ordered by coordination). As our earlier discussion of theories of redistribution and the welfare state suggest, several prominent explanations exist for this contemporary cross-national and temporal variation in redistribution and social policy. Thus, in addition to specifying systematic tests of effects of coordination – most centrally, *the level of employers' organization and macrocorporatism* – on policy and overall redistribution, we also account for prominent alternative explanations. First, as discussed above, redistribution and the magnitude of social protection should be influenced by the economic *position of the median voter*. For our analysis of government redistribution across working age households, we follow other recent analyses and use the ratio of the incomes of workers at the 90th to those at the 50th percentile as our core measure (Iversen and Soskice 2006; Lupa and Pontusson 2008). For our assessments of the determinants of policy, we maximize nations and years for the analysis and replace the 90-10 ratio (for which data coverage is limited) with the ideological position of the median voter. (We also use the GINI index for market income of families as an alternative measure in our extended analyses of redistribition.)

– Table 2 about here --

In addition, we account for the widely debated redistributive effects of *partisan government*. As long-term cumulative records of government control by social and Christian democratic parties are highly correlated with macrocorporatism generally, and long-term social democracy is closely associated with 1980s-to-2000s union organization specifically, we control for the effects of alternative measures of relatively proximate governance by progressive parties: for models of redistribution and policy, we generally use the average percentage of cabinet portfolios held by social democratic and Christian democratic parties over the three years prior to the measurement of redistribution or policy.[9] We also comment below on effects with alternative lag structures, including those to account for the temporally irregular measurement of income redistribution.

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[9] There are several important additional points to note. First, in the model estimations for redistribution and policy reported below, long-term cumulative years in office (since 1950) of left and Christian Democratic parties exhibited generally insignificant effects. Yet, as we show in companion work, these long-term traditions of party rule are strongly associated with the maintenance of macrocorporatism in the contemporary era; as we shall see, macrocorportism is the predominate determinant of redistribution, policy and equality in our analyses. Thus, progressive party rule has large indirect effects on policy and equality. In addition, because union power and long-term social democratic government are so closely associated, our quantitative analysis can not decisively adjudicate between party and union effects. What we can report, with some confidence, is the importance or absence of the effects of relatively short-term alternation in power of progressive versus center-right parties. Finally, in the analysis of outcomes, we do find large cumulative (and short-term) effects of progressive parties, and we discuss these findings below.

In addition to coordination and electoral politics, we account for core features of postindustrial change. First, *deindustrialization* and the rise of the service economy in all likelihood fosters increased demands for social protection, training, and overall redistributive effort. This is so because deindustrialization displaces semi- and unskilled workers from stable, well-paying employment in the traditional core sectors of the economy and, in turn, increases both demands for social transfers and resources for training systems that facilitate workers' transition across the skills barrier (Iversen and Cusack 2000). We follow Iversen and Cusack and measure de-industrialization as 100 minus industrial and agricultural employment as a percentage of the working age population(and lag this one year).

Second, *internationalization* has figured prominently in recent theory and research on welfare states and redistribution. Specifically, *trade openness* may have significant (albeit complex) impacts on redistribution, social protection and inequality in the contemporary era. On the one hand, higher levels of international trade may foster higher levels of compensatory social insurance against market risks and more extensive active labor market policy in order to promote the flexible adjustment of markets to competitive pressures (e.g., Katzenstein, 1985). These compensatory and adjustment strategies are thought by some to persist into the contemporary era of post-industrialization (e.g., Rodrik 1997; Garrett 1998). In addition, trade openness has been linked to incentives that motivate countries to develop a large counter-cyclical public sector (Cameron 1978). On the other hand, as Garrett (1998) and others have noted, it is common for scholars to consider an "efficiency hypothesis" where trade openness is linked to lower levels of social protection and redistributive effort. This is purportedly the case because high taxes and redistributive social transfers may contribute to high labor costs and a variety of market distortions that undercut competitiveness of domestic firms in international markets. Similarly, many scholars believe that *capital mobility* may undercut redistribution and social protection to the extent that capital mobility enables capital flight in the face of market regulation, taxes and social policies disfavored by business and undercuts capital's willingness to engage in cooperative institutions and practices (for a synoptic review of theory and evidence on globalization's impacts on welfare states, see Swank 2010). Trade openness is measured as total exports and imports as a percentage of GDP while capital mobility is indexed by Quinn's (1997) widely used indicator of the presence or absence of national controls on international capital movements.

In addition, empirical models in recent studies have consistently included a core set of additional socioeconomic factors that potential influence redistributive effort (see Brady et al 2003; Iversen and Soskice 2006; Lupa and Pontusson 2008; contributions to Beramendi and Anderson 2008). Following this work, we include a control for *unemployment*; short-term business cycle downturns may call forth both automatic and discretionary social protection spending increases (and changes in taxation) and, in turn, significantly influence the magnitude of government redistribution. Second, we account for *female labor force participation* which recent work has hypothesized to increase redistribution through rises in working women's claims for benefits and women's enhanced political support of the welfare state. Finally, we include *per capita real GDP* which accounts for the prospect that increased affluence may promote demand (and willingness to pay) for social protection and redistribution (i.e., Wagner's Law). We measure these factors, respectively, as the percent of civilian labor force unemployed, the percentage of the female working-age population in the labor force, and per capita GDP in international prices (Penn World Table definitions).

Thus, our core model of redistribution across working-age families, social protection for workers, and ALMP takes the following form, where "Coordination" represents four alternative specifications: employers' organization, macrocorporatism, both employers and union organization, and both macrocorporatism and enterprise cooperation.

[Eq. 1] Redistribution/Policy$_{i,t}$ = $\alpha + \beta_1$(Coordination)$_{i,t-1}$ + β_2(Position of the Median Voter)$_{i,t-1}$ + β_3(Social Democratic Government)$_{i,(t-1 \text{ to } t-3)}$ + β_4(Christian Democratic Government)$_{i,(t-1 \text{ to } t-3)}$ + β_5(Deindustrialization)$_{i,t-1}$ - β_6(Trade Openness)$_{i,t-1}$ - β_7(Capital Mobility)$_{i,t-1}$ +β_8(Unemployment)$_{i,t-1}$ + β_9(Female Labor Force Participation)$_{i,t-1}$ + β_{10}(Per Capita GDP)$_{i,t-1}$ + $\varepsilon_{i,t}$

In this equation, α is an equation intercept, i designates nation, t designates year, and $\varepsilon_{i,t}$ is the error term. For reasons noted above, we use the average magnitude of government control by social and Christian democratic parties over the three years prior to the measurement of the dependent variable. We should also note that we employ alternative lag structures for all variables such as means of multiple year lags, cumulative effects over several years, and related measures of lag structures. For our models of redistribution, in which the dependent variable is measured at two to six (variable) time points across 13 nations, we also construct lags for cumulative and mean effects between the current and most recent measurement points. All these alternative methods produce results that are substantially the same as those reported below for the simple lag structure of Eq 1.

We also assess a number of additional explanations of government redistribution in supplemental tests presented below. First, we address the claim from the welfare state and redistribution literatures that the level of voter turnout influences the magnitude of social transfers and redistribution by the state (e.g., Hicks and Swank 1992; Franzese 2002). As Mahler (2008) has argued, higher turnout represents the mobilization of lower income voters and, in turn, should influence transfers and redistribution, expecially for the bottom half of the income distribution. Second, we assess the recent argument of Lupa and Pontusson (2008) that a closer proximity in income of median and low-income voters (i.e., those at the 50th and 10th percentiles of the income distribution) should foster a stronger middle and lower class coalition for redistributive policies. For these authors, small "50-10" ratios are functions of proportional electoral systems and, in turn, centralized wage bargaining typical of these political economies.

In addition, we test for the effects on redistribution of institutional veto points and proportional electoral rules. State fragmentation and proportionality are strong influences on the development and maintenance of highly organized employers and macrocorporatism (Martin and Swank 2008; 2009), and PR is strongly related to government by progressive parties (Iversen and Soskice 2006); thus, their long-term influences have been accounted in our models. Nevertheless, we assess the possibility that they directly influence redistribution in the contemporary era: institutional veto points may continue to privilege conservative opponents of social protection and hamper the ability to adapt to postindustrial pressures (Swank 2002), and proportional electoral rules, beyond their long-term indirect effects, may promote inclusiveness of all interests in the process of shaping national responses to postindustrialization (Crepaz 2000).

Finally, in our models of social protection for workers and ALMP, relatively complete data coverage (i.e., relatively long time series for 18 nations) allows us to consider more complex specifications of the ways in which coordination shapes policy. In these models, we estimate not only the direct effects of deindustrialization and coordination, but also the interaction between the two. That is, we address the possibility that coordination (most centrally, employers' organization and macrocorporatism) conditions the degree of responsiveness of policy to postindustrial pressures. We focus on deindustrialization because, as we show below, it stands out as the most consistent and strong negative influence on inequality and labor market dualism in the contemporary era.

For estimation of our models of redistribution, social protection, and ALMP, we use least squares regression with corrections for first-order autoregressive errors and panel correct standard errors (i.e.,variance-covariance matrices for panel data corrected for heteroskedasticity and contemporaneous correlation as discussed by Beck and Katch 1995). Given that a substantial amount of variance in redistribution and its hypothesized causes is cross-national (i.e., we have only two to six time points for 13 nations), we do not include country fixed effects in estimations for redistribution. Causal factors included in our models account for a substantial portion of cross-national variation in redistribution and we are confident that in such models the remaining bias (from omission of relevant variables or their proxy by unit effects) is modest (see Plümper, Troeger and Manow 20005).[10] On the other hand, for models of social protection for workers and ALMP, we have data for 18 nations and relatively long time series (1971 to 2002 for social protection, 1980/1985 - 2003 for ALMP). This data structure allows us to employ two estimators. First, we estimate our basic models with country fixed effects (and joint F-tests suggest their statistical inclusion); on the other hand, given that our core dimensions of coordination, namely, employers organization and macrocorporatism have constrained temporal variation (especially in our ALMP models), we also utilize a new estimator, namely, the fixed effects vector decomposition estimator, suggested by Plümper and Troeger (2007). This estimator partitions the variation accounted for by unit (i.e., nation) effects between substantive variables that vary little overtime and country dummy variables and, in turn, allows unbiased and consistent estimation of the effects of substantive variables.

Lastly, to assess the robustness of our findings, we re-estimate our models of government redistribution with five alternative techniques. As discussed above, we re-estimate our final

[10] Two other points are in order. First, as our time points of measurement vary across countries and are few, estimation and adjustment for contemporaneously errors may be problematic for government redistribution models. We substituted an estimator for variance-covariance matrixes in which only heteroskedastic error structures are assessed and corrected. Results reported above do not differ when this technique is used. Second, also because of few and variable time measurements, advanced estimation of fixed effects vector composition models, where effects of strongly cross-sectional variables can be estimated in the presence of unexplained unit effects, are not employed. We do use these for social protection and ALMP models.

model of government redistribution by the state with the percentage (versus absolute) change in pre- to post-fisc GINI indices as the central dependent variable; we also re-estimate the final model with the GINI index of family market income distribution substituted for the 90-50 wage ratio. To assess the sensitivity of our results to specification and estimation techniques, we also assess our final model results with a specification that includes the lagged endogenous variable and with a widely used OLS /robust standard error estimator (i.e., Huber-White robust standard errors for grouped data). Finally, to assess the influence of particular nations on results, we use a "jackknife" procedure where we estimate 13 new 12-nation models by deleting one nation at a time and, in turn, produce "jackknifed" estimates for each coefficient (Hicks and Swank 1992).

– Table 3 about here –

Findings. Table 3 presents results from the first set of estimations of our basic model of government redistribution discussed above. With respect to coordination, the first panel of the table illustrates that our expectations about the important roles of employers' organizations (and unions) and macrocorporatism are confirmed. The level of employers' organization has highly significant and positive effects on government redistribution, net of other forces. The column I estimate of 1.79 for the employer organization regression coefficient suggests that a change from the level of employers' organization in the United States (about -1.9 on our standard score scale) to that in Norway (.98) would increase redistribution by roughly 5.2 points (i.e., 2.9 × 1.8). That is, we express the GINI coefficient of inequality in percentage terms (0.0 = perfect equality, 100 = perfect inequality) and operationalize redistribution (the absolute change in the GINI index between pre- and post-fisc income distributions) as a positive number. As Table 2, above, illustrates, redistribution across working-age families (the absolute change in the GINI) ranges from about five to 15 percent in the contemporary era. Thus, the magnitude of this effect is arguably substantial.

With respect to other features of coordination, our overarching index of macrocorporatism also exhibits a substantively large and positive effect on redistribution: a change from the average level of macrocorporatism in the United States to that in Norway (i.e., from -1.6 to 1.1, or 2.7) would increase redistribution by 7.8 points (2.7 × 2.9, the coefficient for macrocorporatism in column II). In addition, one might question whether much or all of this effect is due to union organization and the associated institutional position and political power of labor. We assess this prospect in column III. While it is difficult to get a precise estimate between two closely related dimensions in analysis such as this, our results suggests that unique variation attributable to employers' organization is strongly, positively and significantly associated with variation in government redistribution. Union organization (density, centralization, and policy-process integration), as predicted by power resource theorists, exerts a large independent effect on redistribution. Yet, both employers' and union organization matter quite a bit, net of electoral politics and socioeconomic forces. Finally, we assess the joint impact on redistribution of our aggregate index of national coordination, macrocorporatism, and enterprise cooperation. As Table 3 demonstrates, while correctly signed, enterprise cooperation, itself, does not significantly shape the magnitude of income redistribution by the state.

Turning to the second panel of the table, we display the findings on the independent impacts of median voters and progressive party governance on income distribution. In all versions of the basic model, the magnitude of difference between high and median wage earners is significantly and positively related to actual government income redistribution. Keep in mind that the 90-50 ratio typically varies from 1.5 to 2.0 in our sample of nation years. (Also recall that government redistribution varies from roughly five to 15 points.) Thus, a coefficient for the median voter variable of about 9.0 suggests that a relatively large change of .5 in the 90-50 ratio will be associated with a substantively large change in redistribution of 4.5 points (i.e., $9 \times .5$).

Such consistently significant and substantively large effects are not sustained for the impact of recent governance by left or Christian democratic parties. Neither party variable as operationalized, nor alternative specifications of lagged effects of the party variables, emerges as a significant determinant of redistribution in the models of Table 3. As we noted above, however, long-term cumulative power of left and Christian democratic parties is strongly related to macrocorporatism in the contemporary period; long-term social democratic party governance is also significantly related to our measure of union power. Thus, we can not (and do not) argue that party governance does not influence redistribution. Yet, our results suggest that in the early 1980s-to-2000s, patterns of recent governance by progressive parties (versus center-right governments) does not exercise much of an independent effect on government redistribution in our sample.[11] Overall, two factors are probably producing this result. First, our sample of nation years for the analysis of redistribution is limited to 57 (covering only 13 nations); that is, variation with which to assess complex political effects is limited. Second, as Huber and Stephens (2001) and Kwon and Pontusson (2009) have argued, partisan impacts on social protection have, under the weight of postindustrialization, probably declined in all or many postindustrial democracies. As it turns out, our analysis of social policies below affords much larger samples (i.e., much more cross-national and temporal variation) with which to assess partisan effects.

With regard to postindustrialization pressures, the third panel of the table illustrates that deindustrialization is especially important in calling forth increased redistribution. This factor exerts a consistently significant and substantively large effect on government redistribution. As the results we present below demonstrate, deindustrialization is the most important socioeconomic force in shaping inequality and labor market dualism in recent years. As such, the response in the form of increases in overall income redistribution by the state is not surprising. On the other hand, the redistributive impacts of globalization – either trade openness or capital mobility – have no consistent and significant impact on redistribution in the models estimated here. While trade openness has a marginally significant positive effect in two versions of the model, there is little evidence upon which to make a claim for the relevance of globalization to government redistribution.

With regard to other controls, both rises in unemployment and declines in affluence exert

[11] It is also important to note that measures of recent left and Christian democratic party government are not beset by high multicolllinearity; regression of either party variable on the other variables in the model (i.e., computation of the R-square delete statistics) produces r-squares of .40, at the most.

an upward effect on income redistribution. Generally, these findings indicate a strong effect of business cycles on income redistribution as automatic (and perhaps discretionary) responses of policy to economic downturn (and associated declines in market income) lead to more income redistribution by the state. Finally, as predicted, the rise in female labor force participation is, net of other factors, associated with increases in government redistribution.[12] While we can not precisely say that such effects represent rising political support for redistribution or automatic effects of benefit claims by women engaged in the labor force (or both), the substantive effect of female labor force participation is substantial as are the effects of business cycles.

– Table 4 about here –

We assess the importance for government redistribution of the additional forces discussed above – voter turnout rates, the "50-10" ratio, institutional veto points, and electoral proportionality – in Table 4. We find little support for direct redistributive effects of any of these factors. Voter turnout is correctly signed but is trivial in magnitude and completely insignificant. The coefficient for closeness of median and low income voters, while correctly signed and non-trivial in size, is statistically insignificant. Although controls for coordination and progressive party governance certainly dampen the effect of this variable (given common origins in proportional electoral systems), the basic logic of the hypothesis suggests that the closeness of median and low-wage voters should exert direct impacts on redistribution. (Recall that the argument stresses that PR is associated with centralized wage bargaining which, in turn, fosters median and lower income voter closeness.) Our results suggest the dynamics associated with macrocorporatism that we have highlighted here drive income redistribution.

In addition, we test for the direct effects on government redistribution of institutional veto points and proportional electoral rules. We find only a marginally significant, negative direct effect of institutional fragmentation on redistribution, and no direct redistributive effect of proportional electoral rules. Yet, we should note, again, that in companion work we find that state decentralization – a central component of institutional veto points – has large negative impacts on the emergence and development of macrocorporatism (Martin and Swank 2008; 2009). We also find even stronger evidence that the incentives for party and interest association leaders in proportional, multiparty systems are strongly conducive to the development and maintenance of institutions of economic coordination. In addition, PR is systematically associated with the predominance of long-term government control by left-center parties (Iversen and Soskice 2006). Thus, while our present results minimize the short-term significance of these factors, additional theory and evidence suggest that their long-term, indirect effects on redistribution may well be quite important.

– Table 5 about here --

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[12] We also assessed whether the inclusion of female labor force participation contributed to the insignificance of Left party governance; results presented above do not vary with the removal of female labor force participation.

We display the results of our assessment of the robustness of our basic model in Table 5. As a final model, we select the column II, "macrocorporatism equation" from Table 3; it is the most parsimonious yet complete among alternative specifications as far as our central theoretical factors are concerned. As the table results indicate, the core findings of our analysis of government redistribution are generally highly resilient to alternative specifications, estimators, and the effects of particular nations. Earlier results are duplicated when we move to the percentage change in the pre- to post-fisc GINI index of working-age household income; they are also reproduced when we substitute the GINI index market income inequality for the 90-50 wage ratio (as a measure of the economic position of the median voter). In the column III equation, where we introduce the lagged value of redistribution, all core findings but one are reproduced; this also holds if we shift the operationalization of lags of all causal factors to the average values of variables since the last measurement of redistribution. As the table indicates, the core finding that disappears is the one for the 90-50 ratio. That is, when we shift the analytical focus to change in redistribution, as the introduction of the lagged dependent variable does, the median voter apparently becomes less significant. This result is puzzling in some ways, although it is quite consistent with Kenworthy and McCall's (2008) recent analysis that changes in inequality across the same time period as that used here do not result in clear, systematic shifts in mass attitudes toward redistribution and, in turn, appropriate changes in policy.

In the last two columns of Table 5, we display the results for an alternative estimator that relies on OLS regression with Huber-White robust standard errors and the results for the "jackknifed" equation. The estimation of our final model of redistribution with OLS and this commonly used robust standard error technique generates coefficient estimates near identical to our original estimation, as expected. In addition, all of our core findings – for the foundational role of macrocorporatism and important redistributive impacts of median voters, deindustrialization, business cycles, and female labor force participation – are reproduced when we assess our original findings for sensitivity to the presence of particular nations in the sample. Jackknifed coefficients for all these focal variables are near identical to our original estimates (see column II in Table 3).

– Table 6 about here –

We now move to a directly analogous estimation of our basic model for social protection for current workers and ALMP. The only differences in the set of causal variables included in our models for this analysis, as compared to redistribution, are as follows. First, as discussed above, we use the ideological position of the median voter in order to maximize years and nations for the sample. Second, initial estimation suggested that (the now insignificant or incorrectly signed) female labor force participation variable exhibited very high multicollinearity with inclusion of (nation) unit effects; although its inclusion does not change reported results, we drop this variable from model estimations. In addition, recall that with the notable expansion of years and countries for both policy variables, we include country unit effects and some additional key tests of the role of coordination in adaptation to post-industrial pressures. Finally, to narrow the analysis to our core theoretical focus, we highlight our tests for the policy effects of the level of employers' organization and macrocorporatism.[13]

Results for our estimation of basic models of social protection for workers are presented in Table 6. In columns I and II we present tests for a conventional fixed effects specification; in columns III to V we allow employers organization and macrocorporatism to "share cross-national variance" with unexplained country effects. As the first two columns of the table indicate, both employers' organization and macrocorporatism are significantly related to the index of social protection (as described above and displayed in Table 2). Recall, however, that with controls for n-1 country fixed effects, we are estimating temporal covariation between coordination variables and social protection in the first two equations; column III displays the "long-term" or structural effect, net of other forces, of macrocorporatism on social protection where cross-national covariation between coordination and social protection is estimated. As the column III results indicate, the substantive effect of macrocorporatism (regression coefficient of 4.39) is large and significant. (Recall, as Table 2 demonstrates, the index of social protection varies from roughly eight to 27.) Near identical results are obtained if we estimate the cross-national effects of employer organization, although the coefficient is slightly smaller in substantive magnitude: the regression coefficient is 3.61 (complete model results, virtually identical to column III, not displayed to conserve space). Overall, and as we expected, the social protection impacts of the degree of employers' organization and national coordination are comparably important to those found for redistribution.

In columns IV and V we display the tests of proposition that coordination mediates the responsiveness of policy to deindustrialization. That is, given our core arguments, we would expect governments to respond more positively to deindustrialization in the form of maintenance of benefit levels, entitlements and coverage rates where the institutions of coordination facilitate more egalitarian employer preferences, stronger union power and more cohesive labor preferences, and cooperative mechanisms to develop and implement policy. In fact, that is what we find: for both the level of employers'organization and macrocorporatism, results indicate that governments more positively respond to deindustrialization with social protection for works as degrees of coordination increase.

With respect to electoral dynamics, results indicate that the ideological position of the median voter (0.0 = strong pro-market orientations, 100 = strong collectivism) is consistently, positively, and significantly related to the magnitude of social protection for current workers. This finding, coupled with most of our results for redistribution, suggest that government responsiveness to the pressures of postindustrialization was, indeed, conditioned directly and systematically by preferences of the electorate. In addition, governance by left parties matters: in five or our six model estimations, recent patterns of government control by parties of the left were significantly associated with social protection. This is not the case, however, for Christian Democratic parties in the contemporary era: government control by Christian democratic parties

[13] When we specify our models of social protection with individual employer and union organization variables, the results we found for redistribution hold: both employers' and union organization have significant, simultaneous effects with the impact of union organization having roughly twice the substantive magnitude. For ALMP, the pattern is the same although employer and union effects are near equal in size.

is variously signed and statistically insignificant (that is, no different from center-right governments) in all our estimations of variations in social protection in the postindustrial era.

With respect to socioeconomic factors, few consistent and significant effects on social protection emerge in our analysis. In fact, deindustrialization is the only factor to exhibit a consistent impact on social protection net of our political variables. In many ways, this is not surprising: deindustrialization taps relatively comprehensively worker needs and demands for income maintenance over time and across countries. As our measure of social protection is one of policies (and not spending), significant effects for unemployment or GDP, involving largely automatic business cycle pressures on social protection, are not likely to emerge in these models. In addition, and also of some interest, trade openness and capital mobility are both insignificant in each of the five estimations of model of social protection. Thus, our analysis produces neither support for the much debated "compensation" nor "efficiency" hypotheses (at least as far as aggregate levels of trade and capital openness are concerned).

– Table 7 about here –

We now move to a directly comparable analysis of spending on active labor market policy (ALMP). Results from estimation of our basic model are presented in Tale 7. To simplify presentation of findings, we do not report conventional fixed effects models. In these models, temporal covariation between employers' organization and macrocorporatism on the one hand, and ALMP on the other is minimal. Effects of both employer organization and macrocorporatism are positively signed but insignificant (with t-statistics of roughly 1.0); effects of other factors on ALMP are virtually identical to those presented in Table 7. Alternatively, we report results from estimations where we allow employers' organization and macrocorporatism to share cross-national variation with country unit effects. Given that our analysis of ALMP requires us to use shorter time-series for many countries (given data for ALMP begins in 1985 for several nations), we believe use of this estimator is clearly merited.

As Table 7 findings indicate, the level of employers' organization is directly related to national resources employed for ALMP. In addition, as the positive interaction between employers' organization and deindustrialization in column II suggests, policy makers respond to deindustrialization with significantly increased ALMP spending at high levels of employer organization. As such, this set of findings reiterates the results of our earlier 1980-1998 cross-national quantitative analysis and firm-level studies of Denmark and Britain (Martin and Swank 2004) which showed that a higher level of employer organization was conducive to positive preferences for, and active participation in, ALMP by employers . In addition, columns III and IV report results for the direct and mediating effects of macrocorporatism. As in the case of employers' organization, our results for macrocorporatism suggest that high levels of national coordination foster significantly greater levels of ALMP spending and greater ALMP repsonsiveness to deindustrialization-related needs of workers in the contemporary era.

With respect to partisan dynamics, we find that government control by parties of the left consistently bolsters ALMP spending while governance by Christian democratic parties actually suppresses it. While the result for Christian democratic parties is a bit surprising, this pattern of partisan effects is generally consistent with the literature on partisan governments. Social democracy has long been associated with strong support for ALMP, and most contemporary analyses suggest that this support has been maintained in the postindustrial era (e.g., Martin and Swank 2004; Huo 2009; c.f. Rueda 2007). On the other hand, Christian democratic parties, while strongly supportive of generous social transfers for workers, have not supported the development of the direct government provision of social services for workers and families (e.g., Hicks 1999; Huber and Stephens 2001). In any case, we do not seek to emphasize these partisan impacts here: the direct short-term impacts on ALMP of partisan government are substantively small and only marginally significant (especially in comparison to the impacts of coordination).

We also find a surprising consistently negative impact on ALMP spending of the ideological position the median voter. Specifically, in each version of our model, a shift to the right by the median voter (a decrease in the median voter ideological score) is significantly associated with an increase in ALMP spending. This robust finding is actually readily interpretable in the context of our findings for social protection for workers. In that analysis, a shift in the median voter to the right results in a reduction of replacement rates, benefit entitlements (e.g., wait days, duration of benefits), and/or coverage rates in core social transfer programs. Combining the two sets of findings, the evidence rather strongly suggests that in countries where the median voter shifted right in recent years, national policy makers reduced some features of passive income supports for workers (for instance, duration of benefits) while emphasizing training and labor market integration.[14] This electorally desirable policy mix of "activation" was also touted by the OECD and EU as central defense against the growth of social exclusion; and, it has also been linked to traditional social democratic emphases on the value of productive employment for workers (Martin 2004; Huo 2009).

With respect to other socioeconomic forces in our model, we see two relatively important findings. First, capital mobility is actually associated with increased commitments of national resources for ALMP. This finding is certainly consistent with the view that greater competitiveness among postindustrial capitalist democracies for mobile capital intensified concern for maintaining and improving levels of work force skills as well as compensating those workers adversely affected by outward capital flows. Second, we find relatively strong business cycle effects on spending for ALMP: both increases in unemployment as well as declines in per capita income consistently generate substantially greater ALMP spending. Before systematically assessing these and other results on the determinants of ALMP (and on causes of redistribution and social protection), we now turn to a presentation of some basic evidence on the determinants of income and labor market inequalities.

Low-Wage Work, Market Inequality, and Labor Market Dualism

As we outlined above, we seek to provide an additional assessment of the importance of coordination for equality by moving our analysis to a focus on outcomes. As we noted, we use

[14] See Swank (2006) and the literature cited therein on detailed changes in employment policy across the OECD and their determinants; also see the country studies in Huo (2009).

six measures of income and labor market inequality or dualism: the prevalence of low-wage labor, as measured by the ratio of income for the median to the 10th percentile full-time worker ("50-10" ratio), the percentage of full-time workers below one-half the median wage, the GINI index of market income in working-age households, involuntary part-time workers as percent of total employment, temporary contract employment as a percent of total employment, and long-term unemployment of 12 months or more as a percent of total unemployment. For reasons discussed above, we analyze variations of the first three measures across the capitalist democracies as whole and of the final three indicators of outcomes for the 11 coordinated market economies. We display 1980s-to-2000s mean values of these six dimensions in Table 8.

– Table 8 about here –

For each of these dimensions, we estimate a simplified version of our basic model of redistribution and social policy. Our theory strongly suggests that *macrocorporatism* should be consistently and strongly related to lower levels of inequality or dualism on each of these dimensions. Power resources theory, as well as our own arguments and findings, would suggest the prospect of an independent direct effect of *party government control by progressive parties*. Features of postindustrialization as well as economic performance cycles should also have substantial effects on patterns of income and labor market inequalities. In brief, *deindustrialization* and the rise of the service economy in all likelihood fosters inequality and dualism directly through the displacement of semi- and unskilled workers from stable, well-paying employment in the core sectors of the economy, and through the consequent strain on training systems that facilitate workers' transition across the skills barrier (Iversen and Cusack 2000). Increased service sector employment is also associated with lower productivity growth (i.e., Baumol's disease), making it more difficult for actors to fiscally maintain policies and practices to support income and employment equity.

Second, *trade openness* should have significant (albeit complex) impacts on inequality and dualism. Generally, we would expect the direct effects of trade on our indicators to be negative. Specifically, Stolper-Samuelson models of factor price equalization suggest that industrialized countries face short- to intermediate term pressures on the incomes and jobs of semi- and unskilled workers under increased trade (e.g., Frieden and Rogowski 1996). These workers face the loss of income and employment security from regular jobs and, in the absence of effective policies or cooperation among labor, capital and the state, become the central victims of dualism. Third, *capital mobility* may undercut egalitarian outcomes through many of the same mechanisms that are operative for trade openness (e.g., Swank 2002). Finally, *economic growth* should be positively associated with labor market performance (better wages, more jobs and less inequality), and a generally strong fiscal basis for egalitarian policies. Countries may invest heavily in practices to foster equality when they are better able to afford these efforts (Wilensky 2002).

Thus, for our six measures of outcomes, we estimate the following model:

[Eq. 2] Measure of Inequality/Dualism$_{i,t}$ = $\alpha + \beta_1$(Macrocorporatism)$_{i,t-1}$ + β_2(Social Democratic Government)$_{i,(cum\ t-1 \text{ to} 1950)}$ + β_3(Christian Democratic

$$\text{Government})_{i,(cum\ t-1\ \text{to}\ 1950)} + \beta_4(\text{Deindustrialization})_{i,t-1} - \beta_5(\text{Trade Openness})_{i,t-1} - \beta_6(\text{Capital Mobility})_{i,t-1} + \beta_7(\text{Per Capita GDP})_{i,t-1} + \varepsilon_{i,t}$$

In this equation, α is an equation intercept, i designates nation, t designates year, and $\varepsilon_{i,t}$ is the error term. Our estimation procedures and variable measurements are directly analogous or identical to those for redistribution and social policy above. Generally, we use least squares regression with corrections for first-order autoregressive errors and panel correct standard errors (i.e.,variance-covariance matrices for panel data corrected for heteroskedasticity and contemporaneous correlation as discussed by Beck and Katz 1995). Our models of the first three dimensions of outcomes for the capitalist democracies, as a whole, do well without specifying country unit effects; thus, we exclude them. For our second set of three outcomes of labor market dualism in coordinated market economies, our model is not as generally strong and we specify unit effects.[15]

– Table 9 about here –

As Table 9 highlights, macrocorporatism is systematically and negatively related to market inequalities on five of our six dimensions. Higher national coordination results in less low-wage work (as indexed by both the 50-10 ratio and percentage of low-wage earners) and less severe market income inequalities across working-age families. It is also related to lower long-term unemployment and the less use of temporary contracts within the CMEs as a group.[16] Government control by progressive parties also matters: cumulative years in office of social and Christian democratic parties depresses the magnitude of low-wage work across the capitalist democracies; estimates with measures of recent government control by progressive parties produce the same results. When we turn to patterns of labor market dualism in CMEs, a somewhat different pattern emerges. Left parties mute the prevalence of involuntary part-time work and long-term unemployment. On the other hand, and consistent with the view that Christian democratic parties may favor core skilled worker and middle class constituencies (e.g., Swank, Martin and Thelen 2008; Iversen 2009), government control by Christian democrats results in higher long-term unemployment and more temporary workers. This finding is also consistent with, and reinforced by, our finding that Christian democratic parties suppress spending on ALMP. On balance, our results for the impact of political factors on egalitarian outcomes strongly complement our findings for dimensions of policy presented above.

With respect to postindustrial pressures, deindustrialization is, with the exception of the percentage of workers below one-half the median wage, consistently and significantly related to the rise of inequality and dualism. These effects are also substantively large. On the other hand, globalization has inconsistent and often insignificant impacts on inequalities and dualism. While

[15] As fixed effect vector composition models for these equations produce largely the same results as we display here, we conserve space and exclude systematic presentation of these additional model estimations.

[16] Estimates for the effects of employer organization produce similar results, although in some specifications the level of employers' organization falls just below statistical significance. Model results are otherwise the same as those reported in Table 9.

capital mobility in positively associated with low-wage work and involuntary part-timers, it has a marginally negative effect on long-term unemployment and is otherwise insignificantly related to inequality and dualism. Trade openness, while negatively related to market income inequality across working-age families, is unrelated to low-wage work and labor market dualism in CMEs. Similarly, economic growth rates are not systematically related to inequalities and labor market dualism. Overall, income and labor market outcomes are strongly driven by deindustrialization and politics: both the institutions for national coordination and partisan government matter a good deal to the relative magnitude of inequality in the postindustrial era.

Coordination and the Politics of Active Labor Market Policies

While it is beyond the scope of this paper to offer detailed qualitative country analyses, we briefly illustrate that one sees the dynamics documented above played out in a comparison of contemporary Danish and German efforts to cope with postindustrial pressures by making the welfare state more active (See also Martin 2004; Martin and Swank 2004; Martin and Thelen 2007). Denmark made significant changes in some of its key institutions, such as the decentralization of bargaining and the reduction of unemployment supports. Yet the Danes made these changes in a way that was designed to support social solidarity and to locate a new equilibrium between growth and equity appropriate to the post-industrial economy. With programs to fill projected labor shortages through training and employment for the long-term unemployed, the Danes hoped to expand employment, to reduce expenditures (by getting people off the welfare rolls), to subsidize the costs of training a new labor source available to employers, and to maintain wage equality (low-wage positions for the disabled are subsidized by the state). In short, Danish policy entrepreneurs hoped to solve the trilemma of the post-industrial economy and to fix the decommodification traps of the Scandinavian welfare state (Martin 2004).

The Danish state at both the national and local levels achieved high levels of success because it was able to call upon the social partners (employers and unions) in the campaign to expand employment, to reduce welfare dependency, and to solve the problems of public finances. Proponents of active labor market policies felt that marginal workers would stay in the workforce longer if they were given real private sector training and practice jobs. In addition to this substantive reason for seeking the assistance of the private sector, municipalities wanted to avoid having to hire the entire ranks of the unemployed, and vehemently maintained that the private sector had to take its fair share. Important commissions with social partner representation were appointed to formulate positions on a wide range of issues, and most reforms during the 1990s were created with the full support of both business and labor. Consequently, even employers became involved in programs to enhance the skills of the long-term unemployed, motivated by a desire to secure enhanced skills and a broader labor supply. When the bourgeois parties regained government in 2001, they again attempted to impose a neoliberal agenda on Danish society, by eroding social rights and reducing the sphere of concerted action controlled by organized business and labor. Yet, oddly, employers' associations and unions joined forces with municipalities to prevent the bourgeois reforms in battles over the issues of labor protections for part time workers, the unions' control of employment funds, and the social rights of the unemployed. The peak employers' association had been an architect of the new welfare state, viewed the wisdom of investing in the skills development of marginal workers, and remained committed to high levels of government spending on active labor market policies.

By comparison, Germany exhibits a rather high degree of formal institutional stability in many key realms (e.g., industrial relations and vocational training), but followed a very different strategy for dealing with marginal and unproductive workers. Recent German reforms have been less sweeping than in Denmark, but have instituted new elements of "residualism" (means tested unemployment benefits) that reflect a trend toward greater labor market segmentation, i.e., declining solidarism (Palier and Thelen 2008). Hartz IV has intensified the divide between labor market insiders and outsiders and has depressed social solidarity, even while it has, paradoxically, expanded coordination at the micro (firm) level, between works councils and managers. Thus, moderate levels of coordination persists in many arenas even as solidarity is sacrificed: core workers' interests remain sheltered, while social outsiders are less protected from the vagaries of the post-industrial economy. This dualism has meant that the state had a much more difficult time eliciting material support from employers for programs to expand the skills of marginal workers. Business and labor groups in the core industrial economy have preferred to shepherd low-skilled workers onto the unemployment rolls rather than to spend resources in preparing these workers for gainful employment.

CONCLUSIONS

In contemporary democratic capitalism, deindustrialization has fueled greater income inequality and labor market dualism and, in combination with pressures on mature welfare states from demography, macroeconomic crises, and neoliberal orthodoxy, has created unprecedented challenges for national policy makers seeking to sustain efficiency with egalitarianism. We argue that high levels of employer organization and, more broadly, the institutions of macrocorporatist coordination bolster redistribution and equality, and work against dualism in labor markets. Employers' capacities to grasp the benefits of, and to support collectively, a policy approach that sustains investment in low-skilled workers counteracts the drift toward greater inequality and dualism. Employers' capacities to act collectively on these preferences are greatly influenced by their organization: when employers have high levels of organization, their supportive positions on social policies can sustain relatively high levels of equality, redistribution, and equitable jobs. In addition, we have argued that the combination of highly organized employers, densely organized and centralized unions movements, and their sustained interaction in collective bargaining and national policy forums offers an especially powerful bulwark against strong inegalitarian trends. Overall, we believe that our analyses have offered a strong empirical foundation for these claims.

We suggest that the paper contributes to an understanding of the social and coalitional underpinnings of equality and redistribution in democratic capitalist political economies. Extant analyses of the coalitional bases for redistribution and equality largely share a common assumption: preferences of voters on the right are relatively fixed, as employers are largely assumed to oppose redistributive social policies, for example, in both majoritarian and proportional systems. We differ from these analyses in highlighting how employers' organization and preferences matter enormously to the political bases of equality. As we have shown, well organized union movements and social democratic governments are central to the determination of patterns of equality and redistribution in contemporary democratic capitalism. Yet, the quest for equality is not determined exclusively by the bravado, resources and organization of the left; rather, the strategic calculations by business managers also matter to a high level of investment in social capital and a relatively egalitarian sharing of the economic and social pie. When organized at a high level, employers can also be persuaded to develop strategic preferences for public policies that seek to balance economic growth and social equality, rather than to view the world as a stage for pitched economic strife.

APPENDIX

Redistribution, Social Policy and Inequality/Labor Market Dualism: Details and Data Sources

GINI Index for Pre- and Post-Tax/Transfer Income Distribution of Working-Age Households. Luxembourg Income Study data; GINI's computed by Vincent Mahler, Department of Political Science Loyola University (see Mahler and Jesuit 2006).

Social Protection of Workers: Index of unemployment and sickness insurance income replacement rates, benefit entitlements (e.g., qualification period, waiting days, duration), and population coverage rates. Source: Lyle Scruggs and James Allen, "The Comparative Welfare State Entitlements Data Set."

Active Labor Market Policy: OECD (2006) *Social Expenditures Data Base*, CD Rom. Paris: OECD.

Part-Time and Fixed Term Employment: Percentage of total employees in part-time work. OECD, *Employment Outlook* (selected numbers); OECD Employment Data Base.

Low Wage Employment: Ratio of 50^{th} percentile to 10^{th} percentile (full-time equivalent) earner and percentage of workers below one-half median income. OECD Earnings Data Base.

GINI Index for Market Income Distribution of Working-Age Households. Luxembourg Income Study data; GINI's computed by Vincent Mahler, Department of Political Science Loyola University (see Mahler and Jesuit 2006).

Political Data: Details and Data Sources.

Left and Christian democratic party cabinet portfolios as a percent of all portfolios. Source (for portfolios): Eric Browne and John Dreijmanis, *Government Coalitions in Western Democracies*, (Longman, 1982); *Keesings Contemporary Archives* (selected years). Sources for Classification: (1) Francis Castles and Peter Mair, "Left_Right Political Scales: Some 'Expert' Judgments," *European Journal of Political Research* 12 (1984): 73_88. (2) *Political Handbook of the World* (New York: Simon and Schuster, selected years.) (3) Country-specific sources as well as Mackie and Rose's *International Almanac of Electoral History*, 2^{nd} Edition, and "Political Data" updates in annual issues of *European Journal of Political Research*.

Median Voter/Ideological Position: Kim-Fording measure of voter and party ideology. 1945-2003 data supplied by HeeMin Kim, Department of Political Science, Florida State University. See Kim and Fording (1998; 2003).

Employer Organization and Level of Collective Bargaining: for presence of a peak employers' organization and powers of that peak association as well as the level of wage-bargaining centralization, Miriam Golden, Michael Wallerstein, and Peter Lange, "Union

Centralization Among Advanced Industrial Societies" (electronic data base at www.shelly.polisci.ucla.edu/data). For economic coordination among enterprises, Hicks-Kenworthy data base as described in Alex Hicks and Lane Kenworthy, "Cooperation and Political Economic Performance in Affluent Democratic Capitalism," *American Journal of Sociology* 6 (May 1998): 1631-72, and updated by authors for 1994 to 2002. For incorporation of employers and unions into corporatist policy making forums, 1970 to 1997 data are from Traxler, Blaschke, and Kittle 2001, with updates by the authors.

Union Organization: For union membership, Jelle Visser, "Trade Union Membership Database," Typescript, Sociology of Organizations Research Unit, Department of Sociology, University of Amsterdam, March, 1992; "Unionization Trends Revisited," Centre for Research of European Societies and Industrial Relations (CESAR), Research Paper 1996/2, February 1996 (and updates provide to the authors by Bernhard Kittel). Data on elements of confederal power peak labor organizations are from Miriam Golden, Michael Wallerstein, and Peter Lange data base, "Union Centralization Among Advanced Industrial Societies" as described above for employers organization.

Institutional Veto Points and Electoral Proportionality: Lijphart (1999) and country specific sources for updates to 2000s.

Voter Turnout: Source: Mackie and Rose, *International Almanac* and "updates" as noted above.

International Variables:

Index of restrictions on capital flows: Source: Dennis Quinn, School of Business, Georgetown University. See Dennis Quinn and Carla Inclan, "The Origins of Financial Openness." *American Journal of Political Science* 41 (July, 1997): 777-813.

Trade Openness: Exports and imports of goods and services in millions (billions for Italy and Japan) of national currency units: Source: OECD, *National Accounts of OECD Member Countries*. Paris: OECD, various years.

Socioeconomic Data:

Percent of the civilian labor force unemployed, female labor force participation, and long-term unemployment: Source: OECD, *Labor Force Statistics*. (Paris: OECD, various years). Real per capita GDP in constant (1995) international prices: Source: The Penn World Table (Mark 6.1). National Bureau of Economic Research (http://www.nber.org).

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Table 1. Dimensions of Economic Coordination: Average Country Position, 1980-2002

Country	Macro-Corporatism	Employer Organization	Union Organization	Enterprise Cooperation
Relatively High Macrocorporatism				
Norway	1.08	.98	1.17	.43
Denmark	.86	.23	.91	.28
Sweden	.81	.68	1.01	.46
Belgium	.57	.23	.52	.28
Finland	.56	.82	.40	.88
Austria	.50	.23	1.28	.62
Moderate Macrocorporatism				
Italy	.33	.06	.12	.98
Germany	.22	.75	-.10	.61
Ireland	.21	-.02	.21	-.99
Netherlands	.18	.12	.03	-.42
Australia	.09	.05	.12	.47
Relatively Low Macrocorporatism				
Switzerland	-.16	-.05	-.42	.28
Japan	-.21	-.05	-.60	1.55
France	-.41	.10	-.67	-.31
New Zealand	-.46	-.11	-.50	-.99
United Kingdom	-.89	-.15	-1.01	-.90
Canada	-1.44	-1.94	-.87	-.99
United States	-1.56	-1.94	-1.21	-.87

Macrocorporatism: Standard-score index of employer organization (see below), union organization (see below), and the level of collective bargaining.

Employer Organization: Standard Score Index of presence of national employers' federation, the peak federation's powers over members (i.e., appointment power, veto power over collective bargains and lockouts, own conflict funds), and policy-process ntegration of employers in (e.g., boards, commissions).

Union Organization: Standard score index of union density, union peak association power (as for employers), and policy-process integration of labor.

Enterprise Cooperation: Standard score index of cooperation among competitive firms in R&D, training, standard setting, and export strategy; purchaser-supplier integration; financial-productive firm integration; and enterprise level labor-management cooperation

Table 2. Market Inequality, Redistribution, Social Protection and Active Labor Market Policy.

	Redistribution (GINI for Market Income)		Index of Social Protection for Workers		Active Labor Market Policy	
	1980s	2000s	1980s	2000s	1980s	2000s
Relatively High Macrocorporatism						
Norway	5.3 (26.2)	9.4 (32.8)	25.4	26.2	.6	.8
Denmark	8.6 (30.5)	12.6 (32.8)	22.2	20.9	.6	1.7
Sweden	10.8 (29.9)	12.9 (36.6)	23.0	22.8	1.5	1.4
Belgium	13.5 (34.7)	13.8 (17.5)	20.1	20.3	1.3	1.2
Finland	11.1 (29.9)	13.0 (36.2)	15.1	17.9	1.0	.9
Austria	---	---	17.1	16.6	.3	.6
Moderate Macrocorporatism						
Italy	---	---	10.6	12.8	.2	.6
Germany	5.5 (28.4)	10.0 (36.2)	20.1	18.8	.8	1.1
Ireland	---	---	15.6	14.2	1.4	.7
Netherlands	13.2 (38.5)	8.7 (30.9)	23.7	21.3	.6	1.2
Australia	7.7 (34.8)	11.6 (42.8)	7.1	7.9	.4	.4
Relatively Low Macrocorporatism						
Switzerland	1.9 (31.0)	4.1 (30.6)	20.8	12.8	.1	.6
Japan	---	---	10.7	11.3	.3	.3
France	10.0 (38.6)	10.6 (38.8)	16.3	16.3	.6	1.2
New Zealand	---	---	9.7	8.1	.6	.4
United Kingdom	11.3 (41.7)	10.3 (44.3)	10.2	11.5	.6	.5
Canada	5.9 (33.1)	7.9 (39.3)	12.8	13.6	.3	.4
United States	6.4 (39.0)	6.9 (43.0)	8.9	9.0	.1	.1

Values for redistribution (and inequality) are for the earliest data point in the 1980s and the closest data point to 2003. Values for social protection and ALMP are means for 1981-1983 (or 1985-1987 for some countries) and for 2000-2002 for social protection and 2001-2003 for ALMP.

* See Appendix for details and data sources.

Table 3. The Determinants of Government Income Redistribution in the Postindustrial Era.

	I	II	III	IV
Employer Organization and Coordination				
Employer Organization	1.7932** (.3672)	---	.9404** (.3587)	---
Union Organization	---	---	2.6874** (.5796)	---
Macrocorporatism	---	2.9119** (.5022)	---	2.7530** (.5337)
Enterprise Coordination	---	---	---	.4179 (.5259)
Electoral and Party Politics				
Median Voter (90-50 Wage Ratio)	4.7265** (2.3943)	9.6683** (2.5208)	11.8756** (2.7564)	9.1171** (2.6700)
Left Party Government	.0020 (.0087)	.0011 (.0084)	-.0001 (.0087)	.0002 (.0084)
Christian Democratic Party Government	.0004 (.0136)	-.0037 (.0136)	.0006 (.0127)	-.0048 (.0136)
Postindustrialization				
Deindustrialization	.4454** (.1064)	.4512** (.0951)	.4493** (.0917)	.4983** (.1106)
Trade Openness	.0197* (.0148)	.0147 (.0145)	.0185* (.0132)	.0094 (.0157)
Capital Mobility	-.0250 (.0246)	.0087 (.0242)	.0002 (.0235)	.0038 (.0249)
Controls				
Unemployment	.3703** (.1279)	.3437** (.1162)	.2996** (.1166)	.3281** (.1137)
Female Labor Force Participation	.2063** (.0388)	.1903** (.0339)	.1712** (.0351)	.1806** (.0358)
Per capita Real GDP	-.3594** (.1076)	-.4748** (.0824)	-.4754** (.0777)	-.4840** (.0831)

Intercept	-40.4440	-48.5051	-.49.9963	-49.4069
R^2	.6974	.7576	.7716	.7605
Number Observations	57	57	57	57

Models are estimated with 1981-2002 data for 13 nations by ordinary least squares; equations are first-order autoregressive and are estimated with Prais-Winston regression. Panels are unbalanced where time series for each country consists of two to six annual measurements. The table reports unstandardized regression coefficients and panel correct standard errors.

*indicates significance at the .10 level

** indicates significance at the .05 level or below.

Table 4. The Determinants of Government Income Redistribution in the Postindustrial Era: Additional Tests.

	I	II	III	IV
Additional Political Factors				
Turnout	.0285 (.0306)	---	---	---
Median-Low Income Closeness (50/10 Wage Ratio)	---	-2.1451 (1.9980)	---	---
Institutional Veto Points	---	---	-.7339* (.5086)	---
Proportional Representation	---	---	---	.4841 (.5538)
Basic Model				
Macrocorporatism	2.5919** (.5016)	2.3445** (.8991)	2.6126** (.5543)	2.5304** (.6870)
Median Voter (90-50 Wage Ratio)	10.6842** (2.4278)	8.8859** (2.8988)	9.2203** (2.5792)	9.3237** (2.4307)
Left Party Government	.0041 (.0082)	-.0007 (.0077)	.0027 (.0087)	.0012 (.0084)
Christian Democratic Party Government	.0010 (.0150)	-.0072 (.0121)	-.0014 (.0130)	-.0037 (.0141)
Deindustrialization	.3778** (.1038)	.4543** (.0954)	.3986** (.1016)	.4910** (.0974)
Trade Openness	.0244** (.0129)	.0101 (.0148)	.0072 (.0159)	.0081 (.0137)
Capital Mobility	.0108 (.0237)	.0130 (.0248)	.0029 (.0237)	-.0018 (.0271)
Unemployment	.3718** (.1180)	.3399** (.1151)	.3733** (.1152)	.3444** (.1114)
Female Labor Force Participation	.2060** (.0357)	.1766** (.0340)	.1441** (.0505)	.1876** (.0336)
Per capita Real GDP	-.4385** (.1136)	-.4664** (.0825)	-.3396** (.1425)	-.4876** (.0862)

Intercept	-49.7220	-43.1306	-42.6933	-49.7231
R^2	.7755	.7633	.7653	.7597
Number Observations	57	57	57	57

Models are estimated with annual 1980-2002 data for 13 nations by ordinary least squares; equations are first-order autoregressive and are estimated with Prais-Winston regression. Panels are unbalanced where time series for each country consists of two to seven annual measurements. The table reports unstandardized regression coefficients and panel correct standard errors.

*indicates significance at the .10 level

** indicates significance at the .05 level or below.

Table 5. The Determinants of Government Income Redistribution in the Postindustrial Era: Robustness Tests.

	I	II	III	IV	V
Macrocorporatism	9.3575** (1.3825)	2.4840** (.3580)	1.6441** (.3985)	2.9125** (.3484)	2.8889** (.1317)
Median Voter (90-50 Wage Ratio)	24.7055** (6.9187)	---	2.0825 (1.9714)	9.6676** (2.9412)	9.4017** (1.2087)
Median Voter (GINI Pre-fisc Family Income)	---	36.2822** (5.7790)	---	---	---
Left Party Government	-.0031 (.0201)	-.0008 (.0071)	-.0076 (.0046)	.0011 (.0065)	.0010 (.0020)
Christian Democratic Party Government	-.0239 (.0362)	-.0136 (.0119)	.0074 (.0114)	-.0037 (.0125)	-.0133 (.0380)
Deindustrialization	.8979** (.2642)	.1775** (.0842)	.2863** (.0756)	.4511** (.0991)	.4444** (.0496)
Trade Openness	.0661** (.0376)	.0153** (.0095)	-.0184* (.0116)	.0147 (.0193)	.0136** (.0077)
Capital Mobility	.0247 (.0663)	.0096 (.0219)	-.0143 (.0291)	.0087 (.0213)	.0097 (.0077)
Unemployment	.7494** (.3420)	.3384** (.1213)	.2790** (.1028)	.3437** (.0942)	.3467** (.0449)
Female Labor Force Participation	.5209** (.0834)	.1314** (.0288)	.1533** (.0353)	.1902** (.0433)	.1867** (.0229)
Per capita Real GDP	-1.2356** (.2812)	-.2716** (.0979)	-.2712** (.0734)	-.4749** (.1251)	-.4656** (.0647)
Redistribution $_{t-1}$	--	---	.4102** (.0486)	---	---
Intercept	-104.1044	-23.7915	-23.4740	-48.4940	-47.5500
R^2	.8033	.7985	.8652	.7577	---
Number Observations	57	58	46	57	---

Column I reports results for the basic model for the percentage change in the Pre- to post-fisc GINI; II reports the basic model with the GINI for median family private income; III reports the results with a lagged endogenous variable specification. IV displays the results with the Huber-White robust standard errors estimation. V reports the jackknife estimates of parameter effects (see text).

*indicates significance at the .10 level

** indicates significance at the .05 level or below.

Table 6. The Determinants of Social Protection for Working-Age Families in the Postindustrial Era

	I	II	III	IV	V
Employers' Organization	.6168** (.3249)	---	---	.8337** (.0775)	---
Macrocorporatism	---	.2416* (.1849)	4.3939** (.0943)	---	1.7811** (.0829)
Employers' Organization × Deindustrialization	---	---	---	.0370** (.0051)	---
Macrocorporatism × Deindusrtialization	---	---	---	---	.0346** (.0037)
Median Voter (Ideological Position)	.0134** (.0068)	.0136** (.0069)	.0128** (.0074)	.0131** (.0070)	.0127** (.0072)
Left Party Government	.0028* (.0021)	.0026 (.0022)	.0029** (.0015)	.0028** (.0016)	.0030** (.0014)
Christian Democratic Party Government	-.0008 (.0051)	-.0016 (.0050)	.0036 (.0038)	.0027 (.0038)	.0026 (.0035)
Deindustrialization	.0694** (.0280)	.0720** (.0290)	.0502 (.0560)	.0920** (.0556)	.0791* (.0562)
Trade Openness	-.0011 (.0078)	-.0011 (.0078)	.0033 (.0065)	.0011 (.0062)	.0017 (.0067)
Capital Mobility	-.0032 (.0070)	-.0022 (.0071)	.0039 (.0057)	.0024 (.0066)	.0027 (.0067)
Unemployment	-.0122 (.0314)	-.0132 (.0317)	-.0170 (.0080)	-.0464 (.0391)	-.0389 (.0398)
Per capita Real GDP	.0641** (.0339)	.0645** (.0341)	.0193 (.0323)	-.0000 (.0000)	-.0000 (.0000)
Eta (Unexplained Unit Effects)	---	---	.8882** (.0164)	.8829** (.0160)	.8939** (.0189)
Intercept	2.5359	1.3730	10.4564	8.2673	8.9230
R^2	.8716	.8776	.9241	.9252	.9265
Number Observations	501	501	483	483	483

Models of columns I and II are estimated with 1971-2002 annual data from 18 nations by Prais-Winston (AR1) regression with panel correct standard errors; nation fixed effects are included (not reported). Models of columns III-V are estimated by fixed effects vector decomposition Plümper and Troeger (2007); *indicates significance at the .10 level ** .05 level or below.

Table 7. The Determinants of Active Labor Market Policies in the Postindustrial Era

	I	II	III	IV
Employers' Organization	.3519** (.3249)	-.6250** (.0156)	---	---
Employers' Organization × Deindustrialization	---	.0123** (.0013)	---	---
Macrocorporatism	---	---	.4085** (.0137)	-.5021** (.0177)
Macrocorporatism × Deindustrialization	---	---	---	.0116** (.0007)
Median Voter (Ideological Position)	-.0034** (.0014)	-.0034** (.0014)	-.0035** (.0016)	-.0034** (.0014)
Left Party Government	.0007* (.0004)	.0007* (.0004)	.0007* (.0004)	.0007* (.0004)
Christian Democratic Party Government	-.0018* (.0010)	-.0018* (.0010)	-.0017* (.0010)	-.0018* (.0010)
Deindustrialization	.0027 (.0091)	.0007 (.0096)	.0017 (.0039)	.0005 (.0090)
Trade Openness	-.0009 (.0012)	-.0010 (.0012)	-.0012 (.0013)	-.0014 (.0013)
Capital Mobility	.0049** (.0014)	.0047** (.0016)	.0048** (.0014)	.0045** (.0012)
Unemployment	.0198** (.0080)	.0194** (.0089)	.0217** (.0082)	.0212** (.0087)
Per capita Real GDP	-.0115** (.0066)	-.0121** (.0062)	-.0980* (.0644)	-.0913* (.0592)
Eta (Unexplained Unit Effects)	.8009** (.0298)	.7934** (.0292)	.8429 (.0322)	.8575 (.0290)
Intercept	.5186	.7315	.5820	.7169
R^2	.7703	.7672	.7790	.7788
Number Observations	351	351	351	351

Models are estimated with 1980/1985 to 2003 annual data from 18 nations by fixed effects vector decomposition as described by Plümper and Troeger (2007). The table reports OLS regression coefficients with panel correct standard errors. *indicates significance at the .10 level
** indicates significance at the .05 level or below.

Table 8. Income and Labor Market Outcomes in Postindustrial Capitalist Democracies, 1980s-2000s.

	Low-Wage Work	% Low Earners	Market Inequality	Involunt. Part Timers	Long-term Unemploy	Temporary Workers
Relatively High Macrocorporatism						
Norway	1.4	---	30.2	2.4	11.9	11.9
Denmark	1.4	8.8	32.7	2.1	31.3	11.1
Sweden	1.3	5.7	33.5	3.8	17.7	14.2
Belgium	1.4	7.6	36.5	2.9	62.9	6.3
Finland	1.6	---	33.5	3.4	40.6	10.0
Austria	---	---	---	.8	17.2	6.3
Moderate Macrocorporatism						
Italy	1.4	9.6	---	1.3	55.3	6.9
Germany	1.6	13.5	32.3	1.0	43.1	11.1
Ireland	1.9	18.9	---	1.8	54.6	7.9
Netherlands	1.6	12.3	35.8	2.4	45.0	9.9
Australia	1.7	13.8	38.5	7.2	27.9	4.7
Relatively Low Macrocorporatism						
Switzerland	1.5	---	31.2	.8	21.6	12.2
Japan	1.7	16.9	---	1.3	18.4	10.6
France	1.6	---	38.6	3.4	40.6	10.0
New Zealand	1.5	14.8	---	5.2	17.3	---
United Kingdom	1.8	19.3	43.4	1.9	38.2	6.3
Canada	2.2	22.4	36.9	4.5	9.1	12.1
United States	2.0	23.5	41.4	---	8.4	4.6

Values for all inequality and labor market variables are for 1980-to-2003 country means.

* See Appendix for details and data sources.

Table 9. The Determinants of Inequality and Labor Market Dualism in the Postindustrial Era.

	All Capitalist Democracies			Coordinated Market Economies		
	50-10 Wage Ratio	% Low Earners	Family Market Income	Involuntary Part-Timers	Long-term Unemployed	Temporary Workers
Macrocorportism	-.0420** (.0094)	-1.5715** (.3727)	-2.2863** (.8818)	.1239 (.2982)	-3.6786** (1.6363)	-.8059** (.4984)
Left Party Government	-.0133** (.0014)	-.2718** (.0366)	.0797 (.0602)	-.2572** (.0452)	-1.5482** (.3151)	.1156 (.0868)
Christian Democratic Government	-.0088** (.0015)	-.1747** (.0402)	.0521 (.0493)	.0494 (.0410)	.6233* (.4851)	.2218** (.0996)
Deindustrialization	.0028** (.0012)	-.0485 (.0370)	.6152** (.1021)	.3731** (.0608)	2.7299** (.3371)	.1665** (.0697)
Trade Openness	.0001 (.0004)	-.0041 (.0033)	-.0649** (.0157)	-.0124 (.0086)	.0111 (.0587)	.0025 (.0136)
Capital Mobility	.0016** (.0004)	.0446** (.0159)	.0128 (.0304)	.0160** (.0065)	-.1094* (.0626)	-.0043 (.0132)
Growth Rate in Per Capita Real GDP	.0004 (.0009)	.0489 (.0313)	.0196 (.1376)	-.0304* (.0212)	-.2210 (.1207)	-.0024 (.0302)
Intercept	1.4810	18.2702	-.0943	-16.9119	-128.2557	-2.4583
R^2	.9237	.6563	.6527	.4056	.5932	.6617
Number Obs.	404	244	59	183	272	201

Models of the first three columns are estimated with 1980s to 2000s annual data from 13 to 17 nations by Prais-Winsten (AR1) regression with panel correct standard errors. Models of the fourth through sixth columns are estimated for 1980s to 2000s annual data for the 11 coordinated market economies by Prais-Winston (AR1) regression with panel correct standard errors; nation fixed effects are included.*indicates significance at the .10 level ** indicates significance at the .05 level or below.