

# Europeanization or Party Politics? Explaining Government Choice for Corporatist Concertation

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## Abstract

This paper assesses whether changes in government choice for policy concertation with trade unions and employers are better explained by international or domestic factors. We compare patterns of corporatist governance in a strongly Europeanized policy domain (labour migration policy) and in a weakly Europeanised policy domain (social policy) over the last 20 years in Austria and Switzerland. We show that there is no systematic difference in patterns of concertation between the two policy sectors, and that factors linked to party politics play a bigger role in the choice of governments for concertation. If the base of party support for policies is divided, governments are more prone to resort to corporatist concertation as a way to build compromises for potentially controversial or unpopular policies. By contrast, ideologically cohesive majority coalitions are less prone to resort to concertation because they do not need to build compromises outside their base of party support.

**Keywords:** Corporatism, Concertation, European Integration, Party politics, Austria, Switzerland.

## Introduction

Corporatist policy concertation has played a central role in welfare and labour market adjustment in most countries in Western Europe. Far from being in irremediable decline as predicted earlier, this process whereby governments negotiate policy reforms with trade unions and employers has persisted in most countries traditionally considered as corporatist, and has even emerged in countries where unilateral policymaking by governments used to be the norm. Recent research shows for instance that while 50% of European governments were willing to pursue concerted welfare reforms in 1980, this share had reached 80% in 2000 (Baccaro & Simoni 2008: 1327). Between 1980 and 2006, there were about 157 attempts to negotiate so-called “social pacts” between governments, employers and trade unions over wage, welfare or labour market reforms (Hamann & Kelly 2010: 1).

In many ways, the persistence of corporatist concertation as a privileged way of policymaking is puzzling when set against the main assumptions of the earlier neo-corporatist literature of the 1970s and 1980s (see e.g. Lehmbruch & Schmitter 1982). The bargains which typically underpinned neo-corporatism in the past – for instance expansionary fiscal policies or welfare expansion in exchange for wage moderation – have become ever more difficult to pursue in a context of permanent budgetary austerity, internationalized markets and steady decline in trade union membership (Avdagic 2010: 629). In order to explain why governments still do – and sometimes do not – negotiate policy reforms with organized interests in this new context, recent analyses have focused on two main sets of factors, namely European integration, and changing patterns of party politics.

On the one hand, concertation has been understood as a domestic response to the process of European integration and its incentives for domestic coordination. Schmitter and Grote (1997: 3) argued for instance that the rebirth of corporatism in Europe in the 1990s was primarily due to “the feverish efforts of national governments to adapt to EU directives, product and professional standards, verdicts of the ECJ and the convergence criteria for EMU”. Along a similar line, Schmidt (2006) argues that European integration has opened up the policymaking process of its member states to organized interests, and that corporatist systems of policymaking are more adapted to the requirements of European integration than statist systems where the state alone makes policy. On the other hand, a more recent strand of research has largely explained concertation by *domestic* factors related to changing patterns of party politics (Anthonsen & Lindvall 2009; Baccaro & Simoni 2008; Hamann & Kelly 2010). Within this framework, concertation has been understood as a way for weak governments to build political support within parliament, or to carry out unpopular reforms in a context where they cannot rely upon a stable core of support amongst voters.

In this paper, we confront the “Europeanization” hypothesis with the domestic “party politics” rival hypothesis to explain variation in the choice of governments to seek agreements with trade unions and employers over policy reforms. To do so, we compare patterns of corporatist concertation in a strongly Europeanised policy sector (immigration policy) and in a weakly Europeanised policy sector (welfare reform) in Austria and Switzerland over the last 20 years. In this manner, we aim to provide a fine-grained analysis of the political logics that underpin policy concertation. The article is organised as follows. The next section describes the main dependent variable, corporatist policy concertation, and its variation. The following section presents hypotheses on the impact of Europeanization on policy concertation, and then on the impact of domestic party politics. The empirical section presents comparative case studies on the two policy domains under scrutiny in

Austria and Switzerland. The conclusion assesses the explanatory power of “domestic” and “EU” factors, and argues that domestic party politics plays a bigger role in the incidence of corporatist concertation, even if Europeanization can influence party politics.

### **Corporatist Concertation as Government Choice**

Corporatist concertation can be defined as a governance pattern in which governments “share their policymaking prerogatives with trade unions and employer associations, not just informally by incorporating their inputs but also formally by setting up a bargaining table and engaging in negotiations with them over public policy” (Baccaro & Simoni 2008: 1323). In this article, we are therefore interested in the *procedural* rather than the *structural* dimension of corporatism as a dependent variable, or corporatism as a policymaking procedure (concertation) rather than a structure of organised interests. Hence, what we seek to explain is the choice of governments to involve organised interests in policy reforms in a given policy sector rather than the overall degree of corporatism in a national political system, or the success or failure of policy agreements. Besides, we are interested in sectoral patterns of concertation, often conducted (at least in part) behind closed doors, rather than in the formalised and publicly announced multi-issue agreements analysed by the literature on social pacts (Avdagic et al. 2011; Hamann & Kelly 2010).

Recent research has shown that the structural and procedural dimensions of corporatism may no longer be as closely coupled as assumed in the past (Baccaro 2003, 2009). Whereas corporatist *structures*, such as encompassing and centralised labour organizations, have been considerably weakened in most countries of Western Europe, corporatist *procedures* of policymaking have largely persisted, and have even emerged in countries such as Italy or Ireland, which did not display what were thought to be the pre-requisites of corporatism (Baccaro 2003). In this context, what is particularly puzzling is the persisting will of governments to seek agreements with trade unions and employers over labour market and welfare reforms despite these fundamental changes in structure. Following Baccaro and Simoni (2008: 1324), we consider governments as the pivotal actors in this process since they have exclusive control over access to decision-making. As the sole holders of a democratic mandate to make binding decisions, governments can opt for strategies of policymaking allowing for the participation of organised interests, or alternatively for strategies where organised interests are excluded, with a significant degree of variation in-between.

Whereas earlier analyses of social pacts essentially understood concertation as a strategy of macro-economic management (Fajertag &

Pochet 2000; Hancke & Rhodes 2005), we consider it to be a process in which governments strategically pursue political – and not only economic – goals (Ahlquist 2010; Avdagic 2010; Baccaro & Simoni 2008; Hamann & Kelly 2010). In this framework, it is generally acknowledged that a situation of political weakness is a determining factor in the choice of governments to negotiate and “share public space” with organised interests (Crouch 1986). Hence, “when the state shares public space, it usually lacks the legitimacy, competencies, and implementation capacity to single-handedly carry out desired reforms of social and employment policy” (Ebbinghaus 2010: 256). Weakness does not only mean that governments are dependent on trade unions and employers in the steering of the macro-economy, but also that they may be dependent on them to build and maintain political support within parliament or amongst voters. More precisely, as policy-, office- and vote-seekers, governments engage in negotiations with organised interests when they believe that the benefits of concertation in terms of legitimisation outweigh their costs: concertation implies compromises and therefore moving away from the ideal policies of ruling parties; it can be lengthy, and the failure to come up with agreements can cause a loss of credibility for all actors involved (Hamann & Kelly 2010: 24). It is in this context that we investigate in the next sections how Europeanization and different configurations of party politics affect the government will to engage in corporatist concertation.

In order to assess the extent of participation of organised interests in policymaking, we use a simple typology inspired by those developed by Falkner and Leiber (2004) and Talos and Kittel (2001). In line with the idea that government autonomy plays a central role in the resort to concertation, policymaking processes can be characterised by the degree of autonomy of the government vis-à-vis organised interests in the decision-making process (Falkner & Leiber 2004). Hence, (1) *unilateral decision-making* refers to a policymaking process where the autonomy of governments is maximal: organised interests are not consulted, and policy is made exclusively by the government. (2) *Consultation* refers to a policymaking process where the government consults organised interests, although without engaging in negotiations with them, and remains the sole actor in control of policy outputs. In (3) *tripartite concertation*, the government sets up a bargaining table where public officials, employers and trade unions negotiate policy reforms. However, they do not necessarily need to find an agreement that is fully backed by participating actors; the government remains free to carry out policy reforms even without the full support of social partners. Finally, a (4) *corporatist compromise* – what Talos and Kittel refer to as *Akkordierung* – comes about when trade unions, employers and government negotiate a policy reform and eventually reach an agreement that is fully supported by participating

actors. If the difference between *concertation* and *corporatist compromise* may be due to persisting conflict between trade unions and employers, it remains a choice of the government to carry out a reform even if one or both social partners do not support concertation, or to not carry out a reform until an agreement supported by both sides is reached. Hence, we assume that there is still a great deal of leeway for governments to build corporatist compromises if they really desire so. In general, both employers and trade unions may prefer reaching compromises over policy reforms in order to shape their outcomes rather than unilateral reforms carried out by the government. The Wassenaar agreement of 1982 in the Netherlands is a good example where the “shadow of hierarchy” played a decisive role in shaping a corporatist compromise. Drawing upon these basic assumptions, it is now possible to outline the two competing explanations of policy concertation outlined above.

### **Europeanization and Corporatist Concertation**

The domestic impact of European integration – Europeanization – has been considered important for policy concertation because it “has affected not only the traditional ways in which state actors formulate and implement policy but also the traditional routes by which societal actors gain access and exercise influence in policy-making” (Schmidt 2006: 670). Even if Europeanization has been defined in a variety of ways (see for instance Radaelli 2003), for the purpose of this analysis, we adopt a rather restrictive definition where Europeanization is defined as the extent to which national governments share authority with EU supranational bodies in a given policy domain (Hooghe & Marks 2001). That is, a strongly Europeanised domain is an institutional decision-making environment where national autonomy in decision-making is strongly constrained by EU rules, whereas a weakly Europeanised policy domain is a domain where national autonomy in decision-making remains substantial. In the following section, we outline two mechanisms whereby Europeanization can impact on the choice of governments to opt for concertation, either negatively or positively.

#### *Europeanization as Weakening of Domestic Corporatist Concertation*

Europeanization entails a redistribution of power resources amongst domestic actors (Risse & Börzel 2003: 63). Moravcsik (1994) notably argued that European integration “strengthens the state” domestically to the detriment of other domestic actors, such as parliaments and organised interests. Since governments generally enjoy a monopoly of representation of national interests in supranational decision-making arenas, they can “cut slack” vis-à-vis domestic political constraints by removing issues from the domestic sphere (Grande 1996; Moravcsik 1994). By playing with different levels of decision-making (two-level games), they can increase

their autonomy and loosen the pressure of domestic interest groups, who only enjoy limited access to intergovernmental arenas. Governments can then come back to the domestic level and present European policies as imposed by more powerful countries, thereby shifting the blame to other actors. Hence, the distribution of power in “Europeanised” policy arenas is considered different from strictly “domestic” settings. In this perspective, Europeanization reduces national autonomy in decision-making but increases the autonomy of governments at the domestic level (“paradox of weakness”) (Grande 1996), which in turn tends to reduce the incentives to negotiate policies with domestic organised interests.

Considering that concertation draws upon a balance of power between state and society (Crouch 1986), European integration is likely to undermine it by altering this balance to the advantage of the former. Besides, the pace of decision-making in Europeanised policies tends to be quicker, which also reduces the room for domestic concertation. The loss of power of organised interests may be counterbalanced by corporatist deals struck at the supranational level between Euro-federations of interest groups, but this does not compensate for the loss of influence at the domestic level (Falkner & Leiber 2004: 247).

**Hypothesis 1** There is a weaker degree of concertation in strongly Europeanised policy domains than in weakly Europeanised policy domains.

#### *Europeanization as Strengthening of Domestic Concertation*

Taking an opposite stance, more recent research has argued that Europeanization has had a strengthening, or at least stabilising, effect on domestic corporatist concertation. Contradicting former predictions regarding a general demise of corporatism after the Single European Act, the emergence of social pacts in many European countries, like Ireland, Spain or Italy, in the run-up to EMU, led many authors to consider European integration as an incentive for domestic concertation because of the “problem load” it imposed on national governments (Schmitter & Grote 1997). In relation to the idea of government autonomy outlined above, the underlying idea is that Europeanization tends to weaken governments at the domestic level, for instance because EU policies may be considered less legitimate and enjoy weaker political support (2003: 79-80). If Governments are weakened, this may act as an incentive for concertation in order to build political support.

Along similar lines, Schmidt (2006) has recently argued that European integration weakens state centrality at the domestic level and fosters the opening up of domestic policymaking to the participation of private organised interests. Corporatist systems of policymaking, where the state negotiates policy with organised interests, are believed to be better

adapted to EU policymaking than statist systems where governments make decisions unilaterally. The underlying mechanism here is a process of “institutional isomorphism” between EU policy processes, characterised by a strong degree of openness to social interests in policy formulation, and the domestic level. Recent research on the implementation of EU social policy directives gives empirical support for such a view. In their analysis of the implementation of EU social directives within member states, Falkner and Leiber (2004) show a slightly “stabilising” effect of EU social directives whereby the EU model is held up as a “best practice”.

**Hypothesis H2:** There is a stronger or at least similar degree of concertation in Europeanised policy domains than in domestic policy domains.

### **Party Politics and Corporatist Concertation**

A growing body of literature seeking to explain variation in corporatist concertation has emphasised the role of changes in party politics (Anthonsen & Lindvall 2009; Baccaro & Simoni 2008; Hamann & Kelly 2010). Whereas earlier analyses of corporatism during the Keynesian consensus had pointed to the incumbency of social democratic parties in government as a precondition for corporatist policymaking, this element seems to have lost its pertinence with the loosening of ties between unions and social-democratic parties (Hamann & Kelly 2010: 33; Traxler et al. 2001: 302). In this context, recent scholarship has turned to other partisan factors to explain corporatist policymaking in times of “permanent austerity”. In many ways, the logic underpinning these analyses reassess the interdependencies between party governments and corporatist arenas as two alternatives instances of consensus building (Lehmbruch 1977: 98ff.).

In their analysis of change in corporatist policymaking in four countries, Anthonsen and Lindvall (2009: 169) argue that the persistence of corporatist policymaking within consociational democracies has come to depend on diverging dynamics of party competition. Corporatist policymaking has tended to persist in countries where executive power has remained characterised by grand coalitions, transient or mixed government coalitions, whereas it has tended to decline in countries where the left-right cleavage has come to dominate, and where parties have progressively sought to form ideologically cohesive left- or right-wing governments. Baccaro and Simoni (2008: 1342) argue for their part that “governments are willing to share their policymaking prerogatives with the social actors when they are politically weak, either because they lack strong and united parliamentary majorities or because they are otherwise marred by internal struggles and legitimacy crises. In these circumstances, associating trade unions to policy formation can be

expedient for governments, as it allows them to activate supplementary channels of consensus mobilization". Hence, concertation is not assumed to follow long-term trends but rather to be mobilised by governments when they find themselves in specific political circumstances. We adopt this perspective and show that there is in fact substantial variation across issues and depending on parties in power.

In many ways, both arguments are consistent with the idea that weak government autonomy fosters corporatist concertation as argued above, even if weak autonomy can take different forms. Both minority governments and grand coalitions can be considered weakly autonomous, although for different reasons, whereas ideologically cohesive majority coalitions, especially right-wing coalitions, display a higher degree of autonomy. First, *minority governments* are weakly autonomous because they have to negotiate political support with other parties in parliament, and they have been found precisely to be especially prone to negotiate social pacts (Avdagic 2010: 21). In this article, however, we do not test this assumption and focus on party configurations whose causal impact on concertation has been less explored. Second, *grand coalitions* can also suffer from low autonomy in a different way, namely because they are faced with specific coordination problems. According to veto player theory, large coalition governments have a lower action capacity because, by definition, they have to accommodate heterogeneous policy preferences, particularly if the coalition partners are marred by internal divisions, notably because of significant ideological differences among them (Tsebelis 1999: 591). In this context, governments can use trade unions and employers as "policy brokers" between parties with ideologically broad differences, as a way to build compromises when parties cannot agree amongst themselves (Heinisch 2000: 90). Trade unions and employers may be more prone to compromises than parties because they are not subjected to the centrifugal tendencies observed in multiparty systems (Sartori 1976: 131-145). Third, and by contrast, ideologically cohesive majority coalitions are characterised by a greater degree of autonomy and may therefore be less prone to engage in tripartite negotiations because they do not need to build support outside. Besides, their smaller internal ideological differences constitute a minor impediment on action. This is especially the case for right-wing coalitions who may not count upon the support of the trade union clientele, contrarily to left-wing governments.

**Hypothesis 3** Grand coalitions with heterogeneous preferences are more prone to concertation than ideologically cohesive right-wing majority coalitions.

### Cases and Methods

In the empirical section of this article, we compare governance patterns across a strongly and weakly Europeanised policy sector in Austria and

Switzerland over the last 20 years. A common methodological problem emphasised by many scholars in the analysis of the domestic impact of Europe is the lack of variance in the independent variable, so that it is difficult to assess if the EU is really a *cause* of variation in the phenomena that are observed (Haverland 2006; Levi-Faur 2004). Here, we use case selection to provide a variance regarding Europeanization. If similar outcomes can be observed with and without Europeanisation, then its causal impact can be substantially downplayed. This is done by comparing decision-making processes across policy areas and, whenever possible, across time as well (before and after Europeanization). Given the type of data collection associated with the fluid and often secretive nature of sectoral corporatist concertation, we use a comparative qualitative case-study analysis which provides a higher degree of conceptual validity (George & Bennett 2005: 19).

Austria and Switzerland are interesting cases to test the impact of Europeanization and party politics on corporatist policymaking for two main reasons. First, corporatist concertation has traditionally played a central role in social and economic policymaking in both countries, even if it has been underpinned by different power relationships between labour and capital: strong employers in Switzerland, strong labour in Austria (Katzenstein 1984). In Austria, the influence of organised interests is sustained by quasi-public, compulsory organisational structures (Chambers) with a right of consultation in policymaking (Pelinka 2008). In Switzerland, organised interests are major veto players in policymaking mainly because they can challenge decisions in a popular referendum, which acts as a strong incentive for governments to include them in policymaking (Neidhart 1970). While the great degree of institutionalisation of corporatist arrangements in both countries has entailed a great deal of stability in corporatist arrangements, there is nevertheless substantial variation in the choice of governments to opt for concertation across policy issues and across time. Hence, our dependent variable is not completely determined by the institutional context. In many ways, if our hypotheses on variation in government choice are confirmed in these countries where government choice is constrained by an institutional structure favouring corporatist resilience, they may well apply in contexts where corporatism is less institutionalised.

Second, both are consociational democracies that have undergone similar changes in patterns of party competition in recent years, so that cases provide variance across time when it comes to the role of party politics (see Table 1). In Austria, this happened with the weakening of the two major parties ÖVP (conservative) and SPÖ (social-democrat) to the advantage of the radical-populist FPÖ, punctuated by its accession to power in a coalition with the ÖVP between 2000 and 2006, which adopted a very hostile stance towards social partnership (Obinger & Talos 2006). In

Switzerland, changes took place over the 1990s with the important increase in the parliamentary strength of the national-populist SVP, whose share of seats in the lower chamber increased from 13% in 1991 to 31% in 2007, becoming the largest parliamentary faction. One could argue of course that both countries differ in terms of EU membership. Austria has been a member of the EU since 1995, whereas Switzerland has remained outside the EU, even if this country has established a set of bilateral agreements with the EU - notably on the free movement of workers - which allows for the analysis of "Europeanised" policies there as well (Fischer et al. 2002). However, we do not make hypotheses based on differences between the two countries regarding EU membership, because Switzerland cannot really be considered as a true "control case" for the impact of EU membership (Haverland 2006: 140).

**Table 1 : Share of Party Seats in Parliament, Austria and Switzerland, 1986-2008<sup>1</sup>**

<b>Switzerland</b>							
<b>Nationalrat</b>	<b>87-91</b>	<b>91-95</b>	<b>95-99</b>	<b>99-03</b>	<b>03-07</b>	<b>07-11</b>	
<b>FDP</b>	26%	22%	23%	22%	18%	16%	
<b>CVP</b>	21%	18%	17%	18%	14%	16%	
<b>SPS</b>	21%	21%	27%	26%	26%	22%	
<b>SVP</b>	13%	13%	15%	22%	28%	31%	
<b>Ständerat</b>	<b>87-91</b>	<b>91-95</b>	<b>95-99</b>	<b>99-03</b>	<b>03-07</b>	<b>07-11</b>	
<b>CVP</b>	41%	35%	35%	33%	33%	33%	
<b>FDP</b>	30%	39%	37%	37%	30%	26%	
<b>SP</b>	11%	7%	11%	13%	20%	20%	
<b>SVP</b>	9%	9%	11%	15%	17%	15%	
<b>Austria</b>							
<b>Nationalrat</b>	<b>86-90</b>	<b>90-94</b>	<b>94-95</b>	<b>95/6-99</b>	<b>99-02</b>	<b>02-06</b>	<b>06-08</b>
<b>SPÖ</b>	44%	44%	36%	39%	36%	38%	37%
<b>ÖVP</b>	42%	33%	28%	28%	28%	43%	36%
<b>FPÖ+BZÖ</b>	10%	18%	23%	22%	28%	10%	15%

In each country, differences in the extent of concertation are expected across issues (Europeanization hypotheses) and across party coalitions (party politics hypothesis). Even if Switzerland has been uninterruptedly ruled by a grand coalition composed of the same parties since 1959, its specific institutional structure where the government is not dependent on the confidence of parliament – similarly to a presidential system – and low party discipline allow for a great deal of variation in party coalitions across issues, similarly to what is observed in the US Congress. Hence, in the Swiss case it is not variation in the party composition of governments that matters for concertation, but the legislative coalitions over specific issues (see table 2 below).

In both countries, we analyse intra-EU labour migration policy as an example of a strongly Europeanised policy domain where most decisions are taken at EU level (Hooghe & Marks 2001: 6). We analyse dominant modes of policymaking from the 1980s to 2008, with a particular focus on the patterns of policymaking underpinning the opening of the Austrian and Swiss labour markets for workers of new EU member states that joined in 2004. Welfare reforms are analysed as a weakly Europeanised case because EU pressures have been less pregnant and less direct than in the free movement of workers. European initiatives in this domain, notably through the Open Method of Coordination and the broad framework of the European Employment Strategy remain weakly constraining for member states (Höpner & Schäfer 2008: 13), and specifically do not apply to Switzerland. Data was gathered through extensive document and press analysis, as well as 21 in-depth interviews with key actors (trade union officials, employer representatives and ministries)<sup>2</sup>.

## **Austria: When Party Politics Offsets Europeanization**

Corporatist concertation has played a central role in policy-making in Austrian politics since the Second World War. The main social partners – the Chamber of Labour, the ÖGB trade union on the one hand and the Economic Chamber on the other – traditionally agreed on policies before the parliamentary process began. Corporatist compromises were then turned into legislation by virtue of the strong coordination channels between organised interests and the two major parties ÖVP and SPÖ (Talos & Kittel 2001). This was the case for both immigration policy and social policymaking. For both cases, however, fairly abrupt changes took place when a new right-wing coalition between the conservative ÖVP and the radical-populist FPÖ with a clear anti-trade union agenda came to power in 2000, after 30 years of the uninterrupted presence of the Social Democrats in government (Obinger & Talos 2006). As we show, governance patterns are rather uniform across strongly and weakly Europeanised domains, but vary significantly across ruling party coalitions.

### *Labour Migration policy*

Labour migration policy in Austria has traditionally been closely managed within corporatist institutions (Talos & Kittel 2001: 142-146). The first guest-worker programmes in the 1960s provided for instance for the entry of a contingent of guest-workers (requested by employers) in exchange for an expansion of the competences of the ÖGB trade union in the commission for prices and wages (requested by labour) (Bauböck & Perchinig 2006: 7). The immigration law of 1975 further institutionalised the powers of the social partners in immigration policy at all levels, giving competences to parity committees from the setup of immigration quotas to individual work permits. The rationale for this policy was essentially protectionist, and trade unions in particular were eager to keep control over the supply of foreign labour (Bauböck & Wimmer 1988). These strongly institutionalised patterns of social partnership in this policy field remained stable until the 1990s, when Austria joined the EU in 1995 under the grand SPÖ-ÖVP coalition (1986-2000). Fearing a loss of their power after EU accession, both social partners were given extensive guarantees as to their core competences in policymaking, notably to ensure their support in the referendum vote to join the EU (Falkner 2000: 237-238). An agreement between SPÖ and ÖVP promised that the long-standing practice of social partner participation in the shaping of Austrian social and economic policies would be upheld even during EU membership. This would apply during the period of progressive Europeanization of labour migration policy under the grand coalition, most notably when it came to EU enlargement.

Because of the geographical proximity of Austria vis-à-vis accession countries, the free movement of workers and potential threats of wage dumping have been a constant concern for Austrian trade unions and employers even before the start of the accession process (Interview AUT2). As early as 1996, trade unions demanded that the issue of free movement of workers be put at the centre of any future negotiation on EU enlargement, more precisely through the use of appropriate transitional periods and criteria regarding the convergence of eastern economies with EU 15 standards. In this phase (1996-2000), there was a close involvement of organised interests in the elaboration of the Austrian position on enlargement, notably with the ministry of foreign affairs (Interview AUT4; Tumpel 2004). Interestingly, the closure of the labour market was also favoured by employers. Business interests in Austria are dominated by SMEs, who would have liked an increase in cheap foreign labour, but were afraid of competition from self-employed workers or from foreign companies possibly posting workers from new EU member states (Heschl 2008; Interview AUT2, AUT7). In this respect, the agreement on transitional measures in the enlargement Treaty, whereby a flexible transitional period could be adopted by member states, was considered to be a victory for Austrian social partners during the enlargement negotiations (Interview AUT4). In this first phase, a corporatist compromise prevailed.

Things changed substantially when the right-wing coalition ÖVP/FPÖ came to power in 2000, and found itself in charge of the domestic application of the transitional arrangements agreed upon by the previous grand coalition (the so-called *EU-Erweiterungs-Anpassungsgesetz*) (Osterreichisches Parlament 2004). The domestic legislative framework providing for the implementation of limitations in labour migration from the NMS was adopted just before EU enlargement took effect, with a very swift decision-making process including only the minimal compulsory consultation of social partners (Interview AUT9). Even if it was underpinned by a consensus between employers and trade unions upon the closure of the Austrian labour market, specific dispositions introduced by the right-wing government provided for bypassing quotas, as well as restrictions on access to unemployment benefits. These were met by criticism from trade unions in the formal consultation process (Bundesarbeitskammer Österreich 2004), and even led the social democrats to vote against the law in parliament (Stenographisches Protokoll 2004: 59). Both social partners and parliament were put under pressure for a quick ratification process, the ruling coalition arguing that the labour market could not be protected if a law was not adopted *before* enlargement took effect (Stenographisches Protokoll 2004: 60). In the following period, loopholes in the legislation allowed domestic employers to bypass limitations, so that the corporatist control that prevailed over the

supply of foreign labour (corporatist compromise) faded to a large extent (EIRO 2004; Interview AUT9).

In many ways, this evolution is in line with existing research describing the collapse of social partnership during the FPÖ/ÖVP right-wing coalition (Obinger & Talos 2006). However, it stands in contrast with analyses of the impact of Europeanization on Austrian social partnership in the area of EU social policy, which emphasised the stabilising effect of the EU on social partner involvement that otherwise was crumbling (Falkner & Leiber 2004: 260). Supporting our argument, other empirical evidence on the involvement of social partners in the implementation of EU national action plans for employment points to a marginalisation of trade unions during the ÖVP/FPÖ right-wing coalition in Europeanised policies (EIRO 2003). In this domain, differences in corporatist policy-making were more due to party political factors than to European integration: both corporatist compromises and unilateral policymaking could be observed when Europeanization was present. Patterns of concertation changed when party coalitions in power changed as well.

### *Welfare reforms*

Social policymaking has been the core of corporatist arrangements in Austria. All the major phases of expansion of the welfare state have been mostly underpinned by corporatist compromise between the social partners and the two major parties (Obinger & Talos 2010: 105). The prevailing strongly corporatist mode of decision-making was essentially similar to the one described for labour migration policy, and was even more institutionalised. Social partners had tight control over both decision-making and the implementation of pension and unemployment schemes according to the principle of self-administration (*Selbstverwaltung*) (Obinger & Talos 2010: 103). This did not mean that conflicts were totally absent, but in the period 1970-1986, corporatist compromises were the central feature of policymaking (Obinger & Talos 2010; Talos & Kittel 2001). Things began to change in the second half of the 1980s, as mounting debts and an economic slowdown gave way to a slight declining influence of corporatist compromises (Crepaz 1994). However, compromises were still sought in every major domain. Up to the 1990s, measures of retrenchment carried out to balance budgets were compensated by measures of expansion as part of encompassing package deals. Even if the context was one of austerity, corporatist policymaking still played a central role throughout the 1990s. Over this period, social partners have been said to act as “modernisation brokers” set against the weakening of the two major parties to the advantage of the ever growing Freedom party FPÖ (Heinisch 2000).

In this context, the real breakdown in corporatist policymaking took place when the ÖVP/FPÖ right-wing coalition came to office in 2000. ÖVP and

FPÖ were united on a policy agenda guided by tax cuts and budgetary austerity. The institutionalized role of trade unions in social policymaking was systematically bypassed by the new government, so that trade unions were confronted with a series of decisions made unilaterally by the government (Obinger & Talos 2010: 113). Trade union representatives were taken out of a series of social insurance institutions. Social policy competences were systematically taken away from the social affairs ministry to the more pro-market ministry of economics and employment. Employment policy was shifted from social policy to “competitiveness” policy (Der Standard 2000). This responded to both the traditionally hostile stance of the FPÖ towards trade unions, and a change of strategy within the ÖVP, whose new reform agenda could only be pushed through *against* trade unions and social democrats, and not in a coalition government with them. Legislation was increasingly introduced directly in Parliament as a way to bypass the obligation to consult social partners on government proposals (Obinger & Talos 2006: 10; Pelinka 2008: 439). An example of such methods of policymaking is the pension reform carried out in 2003, which abolished a series of early retirement benefits besides a series of other retrenchment measures, and was met by the biggest protest actions by trade unions since the Second World War. This unilateral stance was somewhat tempered down when the FPÖ was considerably weakened after anticipated elections in 2006, but social partnership was nevertheless widely considered to have become a hollow shell during that period (Interview AUT3, AUT5).

The 2006 elections and the restoration of a grand coalition SPÖ-ÖVP led to a “revival” of social partnership. The grand coalition appeared as a pragmatic alliance between two weakened major parties despite their growing ideological differences, which eventually led to its collapse and the organisation of anticipated elections in 2008. (Interview AUT3; Obinger 2008). Interestingly, in this polarised context, social partners came up with a whole series of corporatist compromises that they could then present as ready-made solutions to ruling parties for whom agreeing on policies had become very difficult (Interview AUT3, AUT5; Standard 2009). It was also a way to keep control over policy initiatives and avoid the marginalisation of the period 2000-2006, particularly for trade unions. Trade unions and employers had maintained closer cooperation patterns than weakened political parties pushed to keep voters on both sides of the political spectrum, notably on the right. Hence, Europeanization does not seem to have an independent impact since the patterns of change in modes of governance are basically similar in both strong and weak Europeanised domains. Party political factors by contrast were the leading triggers of change in corporatist policymaking.

### **Switzerland: When Party Politics Mediates Europeanization**

Even if patterns of corporatist policymaking have not been as institutionalized in Switzerland as in Austria, organised interests have nevertheless played a central role in the policymaking process. Traditionally, strong interest organisations, especially on the side of business, have trumped weak political parties in the drafting of economic and social legislation (Kriesi & Trechsel 2008). In recent years, however, the strong increase in the parliamentary representation of the radical-populist, eurosceptic Swiss People's Party (SVP) at the expense of centre-right parties has entailed a significant reconfiguration of policy alliances across issues, with substantial consequences for corporatist concertation.

#### *Labour Migration Policy*

Labour migration policymaking in Switzerland from the 1960s onwards was characterised by close networks of influence between public authorities and employers on the one hand, and the relative marginalisation of trade unions on the other (Cattacin 1987: 61). This system was not as corporatist as in Austria because of the absence of formal structures of interest intermediation, and the asymmetry of power between labour and capital. Similarly to Austria, Switzerland was running guest-worker programs – on an even wider scale – but trade unions did not exert much control over their definition. This system underwent a process of gradual transformation over the 1990s (Fischer et al. 2002), notably through an increased preference for EU-workers, but the core patterns of governance were preserved. The real change would come with the opening of the Swiss labour market for EU workers, which would interestingly strengthen corporatist governance due to a specific configuration of party politics.

During the 1990s, the Swiss government negotiated an agreement with the EU on the free movement of workers, which provided for the opening of the Swiss labour market to EU workers (Fischer et al. 2002). The issue of free movement of workers was indisputably the most debated because of persisting differentials in wages and unemployment rates between Switzerland and neighbouring countries, the size of the immigrant population (about 25% of the workforce), and continuous popular concern about this issue. Since the agreement on free movement was part of a broader set of agreements considered of vital importance for export industries, the government was eager to have it ratified domestically. However, in a context where the SVP had a different stance than centre-right parties over relationships with the EU, this proved to be difficult. Three distinct party blocs emerged, none of them could gather a parliamentary majority on its own. The radical-right SVP was opposed to any sort of opening of the Swiss labour market for EU workers, whereas centre-right parties favoured closer economic integration with the EU in a

bilateral manner. Social democrats and trade unions were in principle in favour of labour market opening but demanded guarantees for the protection of wage and social standards. Trade unions made it clear that they were ready to oppose the bilateral agreements as a whole in a popular referendum if measures of labour market protection were not put in place (Interview CH7). In this context, it was necessary to build a broader base of political support. Even if there is a grand coalition in Switzerland, the low degree of parliamentary discipline creates a situation close to that of a minority government when right-wing parties disagree. On the one hand, social democrats would support the agreement only if guarantees were given to trade unions in terms of labour market protection, and the support of trade unions was crucial in the eventuality of a popular vote. If the government wanted the bilateral agreements to come about, it had to rally trade unions and social democrats through compensations on labour market protection (Interview CH6, CH7).

After a hard-fought concertation procedure between trade unions and employers, a compromise was achieved by coupling labour market opening with a set of so-called domestic “accompanying measures” aimed at preventing risks of wage dumping: a lightening of formal requirements for the extension of collective labour agreements, a new law on posted workers and the establishment of tripartite committees in charge of the monitoring of labour market developments in each canton (Fischer et al. 2002). When it came to extending free movement to new EU member states after EU enlargement, this strategy was once again used by trade unions to achieve side-payments for their support of European integration despite the reluctance of employers and public authorities (Interview CH2, CH5, CH7). This time, they achieved a further loosening of formal requirements for the extension of collective labour agreements, thereby securing their power in collective bargaining, as well as a reinforcement in the staffing of the labour inspectorate (Conseil Fédéral 2004a, b). The project was accepted by all major parties in parliament except the SVP, which supported the referendum launched against the agreement. The package was eventually accepted by a majority of Swiss voters in 2005. The pivotal role conferred on trade unions by the divisions amongst right-wing parties over European integration allowed them not only to be strongly involved in policymaking in a typical corporatist-compromise pattern, but also to further institutionalise corporatist structures in this domain, and reinforce their strength in collective bargaining (Interview CH2, CH7). This reinforcement of corporatist governance in a strongly Europeanised domain is most interesting because, as we will show, the fate of corporatist policymaking in welfare state reforms has been characterised by a fairly different evolution.

## *Welfare Reforms*

Social policymaking in Switzerland has also been traditionally characterised by close cooperation patterns between government, trade unions and employers. Corporatist compromises were the dominant mode of elaboration of social policies up to the 1990s. The possibility for organised interests to challenge any law passed in parliament in a popular referendum generally gave strong incentives for governments and organised interests to agree on policies in the early stages of the policy process in order to reduce uncertainty (Neidhart 1970). The core social security schemes, such as unemployment insurance and pensions, even if they have been established relatively late, have been introduced mostly as compromises between government and social partners. This was notably the case of the unemployment insurance scheme introduced in the aftermath of the economic crisis of the mid-1970s (Kriesi 1980). Up to the 1990s, Switzerland's good economic performance and stable political coalitions left corporatist governance patterns practically untouched. From the 1990s onwards, however, the deterioration of public finances due to slow growth and higher unemployment have enhanced distributional conflicts, making corporatist compromises more difficult. When left-right compromises were found in the first half of the 1990s, it was between progressive segments of right-wing parties and social democrats around retrenchment measures coupled with measures of "recalibration", for instance around issues of gender equality or activation whose financial consequences were rather limited. The pensions or unemployment policy reforms analysed by Häusermann et al. (2004) are good examples of such cross-class modernisation alliances.

In the second half of the 1990s, however, the strengthening of the SVP has strongly challenged the effectiveness of corporatist compromises. On the one hand, the weakening of centre-right parties has deprived trade unions and social democrats from their traditional partners with which corporatist compromises could be relayed in parliament (Interview CH12, CH14). On the other hand, faced with fierce competition on their right, centre-right parties have tended to adopt a more right-wing stance on welfare reform, and align with the SVP. Even if concertation has still been a major way for the government to elaborate welfare reforms, parliament has often taken the lead and has been much less prone to sign on government proposals based on the consultation of social partners. In this context, incentives for the government to achieve corporatist compromises as such have been lower, since it became less likely that those compromises would be left untouched by a cohesive majority of right-wing parties in this domain. Corporatist procedures were still conducted because of the veto power given to trade unions, but very few left-right compromises could be found between political parties (Interview CH10, CH4). Corporatist compromises have often been greatly challenged and

modified in the parliamentary process because unlike in labour migration policy, right-wing parties have shown a united stance over retrenchment, thereby marginalising corporatist solutions considered too moderate (Interview CH10, CH12). This could notably be observed in the last reforms of unemployment insurance in 2002 and 2010, or the 11<sup>th</sup> revision of basic pensions and the latest revision of occupational pensions in 2008, where partial compromises between social partners were substantially challenged in parliament by a right-wing majority imposing further retrenchment measures, and opposed by social democrats.

In these cases, trade unions challenged the decision in popular referendums, thereby showing the failure of corporatist concertation. They could not gather a majority of voters in the cases of unemployment reform, but were able to block unilateral retrenchment in pension reform. Hence, in this domain, corporatist policymaking seems to be in substantial decline, which stands in sharp contrast with its strengthening in labour migration policy. However, even if the pattern is substantially different between the strongly Europeanised and the weakly Europeanised, in terms of causation it is the configuration of party coalitions rather than Europeanization per se which explains differences in concertation. More precisely, the fragmentation of party coalitions over labour migration – and particularly divisions within the right – spurred the government to choose concertation as a way to rally support from trade unions and social democrats. By contrast, an ideologically cohesive right-wing policy bloc has reduced incentives to seek compromises with trade unions and social democrats, since those compromises were likely to be challenged in parliament.

### **Conclusion**

In this article, we have outlined the mechanisms whereby European integration, domestic party politics and corporatist policy concertation interact in decision-making processes. The main conclusion that can be drawn from our analysis is that the domestic configuration of party politics matters more to explain the choice of governments for concertation than the extent of Europeanization across policy domains. Since there is no systematic difference in the extent of concertation between strongly and weakly Europeanised policies, our findings show that domestic concertation is more influenced by governments' domestic political calculations, as conditioned by their strength and internal cohesion, than by supranational pressures (Avdagic 2010; Mastenbroek & Kaeding 2006). As shown in table 2, one cannot observe a systematic impact of Europeanization on corporatist policymaking either in the direction of a becoming weaker, or in the direction of becoming stronger. No empirical evidence could be found for the idea that Europeanization systematically opens up domestic policymaking to organised interests

(Schmidt 2006) or systematically leads to more unilateral strategies of policymaking on the part of governments (Grande 1996). Whereas existing theories predicted a rather mechanistic and uniform impact of European integration, empirical analysis shows that this relationship is much more complex, that national governments retain substantial control over the shape of the policy procedures, with or without Europeanization.

**Table 2: Dominant Governance Patterns**

Case	Europeanization	Party configuration	Dominant Mode of Decision-Making
Austria: Labour Migration Policy 1995-1999	Strong	Grand coalition	Corporatist compromise
Austria: Labour Migration Policy 2000-2006	Strong	Right-wing cohesive majority	Consultation
Austria: Labour Migration Policy 2006-2008	Strong	Grand coalition, ideologically divided	Concertation
Austria: Welfare Reforms 1980s-1999	Weak	Grand coalition	Corporatist compromise
Austria: Welfare Reforms 2000-2006	Weak	Right-wing cohesive majority	Unilateral policymaking
Austria: Welfare Reforms 2006-2008	Weak	Grand coalition, ideologically divided	Corporatist compromise
Switzerland: Labour Migration Policy 1995-	Strong	Grand coalition, ideologically divided	Corporatist Compromise
Switzerland: Welfare Reforms 1980-mid1990s	Weak	Grand coalition, consensual	Corporatist Compromise
Switzerland: Welfare Reforms mid-1990s-	Weak	Right-wing cohesive majority	Concertation

In Austria, the extent and evolution of corporatist policymaking is fairly similar in both policy domains and varies more according to the characteristics of parties in office, so that Europeanization cannot be considered to have an independent causal impact. In Switzerland, by contrast, this evolution is very different between the two policy sectors, corporatism being characterised by a steady decline in welfare policies, whereas it has undergone a strengthening in labour migration policy, where the “EU factor” is strong. However, this impact is conditional on specific party coalitions in the two policy domains under scrutiny. Europeanization played a role because the stance toward European integration was the main line of divide amongst right-wing parties (thereby spurring the centre-right to rally the left) but analytically, it was this party divide and the importance of finding a compromise rather than the direct impact of Europeanization *per se* that must be considered as a cause of the corporatist strategy pursued by the government<sup>3</sup>.

In many ways, our findings support existing research focusing on party politics as the main influence on the choice of governments for corporatist concertation, thereby lending more support to our third hypothesis than

to the two rival hypotheses on a possible direct impact of Europeanization (Anthonsen & Lindvall 2009; Hamann & Kelly 2007). Hence, all the instances of corporatist compromises coincide with a form of weakness in terms of low parliamentary support or of coordination problems between major parties within the ruling party coalition. Corporatist policymaking proves to be a strategy of consensus mobilisation that governments resort to when they face coordination problems within ideologically divided ruling parties. Corporatist policymaking was especially extensive during periods of grand coalition in Austria (1986-2000 and 2006 onwards), and in the case of the free movement of workers in Switzerland. In all these cases, corporatist strategies of policymaking allowed governments to overcome coordination problems amongst ruling parties, and build a base of political support for policies. For instance, in the context of important ideological differences between the ÖVP and social democrats, the strong cooperation patterns between Austrian social partners allowed for the negotiation of compromises at the centre of the political spectrum; they acted as “arbiters” between parties that had difficulties in agreeing on policies. In Switzerland, corporatist concertation on labour market re-regulation and the provision of side-payments to trade unions allowed for the building of a policy coalition between centre-right and social democrats in a context where right-wing parties were divided, and where centre-right parties needed the left to build a parliamentary majority. By contrast, weaker corporatism was observed during the right-wing coalition FPÖ/ÖVP in Austria (2000-2006) and the recent domestic welfare reforms in Switzerland, that is, cases where right-wing parties had a majority in parliament, and displayed a united and relatively cohesive front. In this configuration, they did not need to build extra-parliamentary support with either trade unions or social democrats.

Independently of Europeanization, the configuration of party coalitions can thus be considered as the main causal trigger of corporatist strategies of policymaking. Of course, our argument needs to be tested on a larger sample of cases, providing the possibility to gather detailed empirical information on policy processes. Our analysis has indeed shown the necessity to apply fine-grained process-tracing methods to identify the causal mechanisms at work regarding the impact of international and domestic factors on national governance patterns. It has also shown the necessity to bring back agency and choice in the study of corporatism, instead of viewing it simply as a functional or merely structural phenomenon. Finally, it has shown the necessity to “bring governments back in” to the field of comparative political economy, where the focus has essentially been placed on employers in recent years.

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8. Interview AUT8, Deputy Head of the Subdivision International and EU Labour Market Law, Federal Ministry of Economics and Labour, 09.10.2008, Wien.
9. Interview AUT9, Collaborator Section Labour Market Policy, Arbeitskammer Wien, 13.10.2008, Wien.
10. Interview CH1, MP Council of States, Social Democratic Party, 01.03.2007, Geneva.
11. Interview CH2, Former Head of Sector Labour Relations, State Secretariat for Economics, 09.03.2007, Neuchatel.
12. Interview CH3, President of the Swiss Trade Union Federation, 20.03.2007, Bern.
13. Interview CH4, President of Special Commission "Flanking Measures" of National Council, Social Democratic Party, 20.03.2007, Bern.
14. Interview CH5, Vice Director of the Swiss Union of Crafts and Smes, Member of Workgroup "Flanking Measures", 26.03.2007, Bern.
15. Interview CH6, Former Federal Councillor and Head of Federal Department for Economics, 02.04.2007, Fribourg.
16. Interview CH7, Central Secretary, Swiss Federation of Trade Unions, 03.04.2007, Bern.
17. Interview CH8, Member of Direction, Swiss Employers' Union, 11.05.2007, Bern.
18. Interview CH9, Social Democratic MP, 19.06.2007, Bern.
19. Interview CH10, Former Central Secretary of the Swiss Trade Union Federation, 11.12.2007, Bern.

20. Interview CH11, Deputy Head of Project Unemployment Insurance Reform, State Secretariat for Economics, 11.03.2008, Bern.
21. Interview CH12, Social Democratic MP and Former Vice President of Social Democratic Party, 06.05.2008, Bern.

## Endnotes

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<sup>1</sup> The *Nationalrat* (lower Chamber) and the *Ständerat* (Upper Chamber) in Switzerland have equal powers. The acronyms are FDP (Freisinnige Partei der Schweiz, liberal right), CVP (Christliche Volkspartei der Schweiz, christian-democrat), SPS (Sozialdemokratische Partei der Schweiz, social-democrat), SVP (Schweizerische Volkspartei, radical right). In Austria, SPÖ (Sozialdemokratische Partei Österreich, social democrat), ÖVP (Österreichische Volkspartei, conservative) and FPÖ (Freiheitspartei Österreich, radical right). For the period 06-08 we have added the score of the BZÖ (Bündnis Zukunft Österreich) to the FPÖ, as it resulted from a split in the FPÖ.

<sup>2</sup> Interview partners were representatives of the peak associations of trade unions and employers, government officials, and in a few cases, members of political parties or NGOs. In total, 21 interviews were conducted (in the local language) between March 2007 and October 2008. Usually, the heads of labour market policy departments were the privileged interlocutors on the government side, and members of the executive secretariat on the side of employers and trade unions or, if unavailable, technical collaborators. All interviews but one were recorded and transcribed.

<sup>3</sup> Previous research on other Europeanised cases pointed out a weakening effect of Europeanisation on domestic concertation (Mach et al. 2003), but did not consider domestic patterns of party cleavages as a possible explanatory factor.