

# Job Security Regulations in Western Democracies: A Fuzzy-Set Analysis

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**Abstract:** This article uses fsQCA to examine the determinants of job security regulations, here understood as restrictions on hiring and firing, in Western democracies. Unlike previous studies, the analysis reveals three different paths to high levels of job security regulations. The first path covers the Southern European state capitalist countries. In these countries, conflicts between forces pushing for liberal democracy and groups alienated from modernisation have led to high levels of statism and crowded out other societal actors. Job security regulations were enacted relatively early in order to provide social security by means available to the state. Due to fragmented welfare states, job security regulations have remained one of the most important pillars of the social protection regime. The second path covers the Continental European managed capitalist countries and is also characterised by high levels of statism. In these countries, repressive governments employed a stick-and-carrot strategy to weaken the labour movement and tie the loyalties of the individual to the state. After World War II, these countries developed corporatist intermediation systems and encompassing and generous welfare states. Finally, the third path covers the Nordic managed capitalist countries. This path is characterised by a high degree of non-market coordination, strong labour movements and few institutional veto points. In the Nordic managed capitalist countries, job security regulations have traditionally been subject to collective agreements. However, in the 1960s, labour movements succeeded in pushing through the public legislation of job security despite opposition from employers' associations. Methodologically, this article demonstrates that cross-national differences in the level of job security regulations can only be explained if the methods used allow for complex causality. In contrast, methods that focus on 'net effects' do not offer satisfactory explanations for the cross-national differences in the level of job security regulations.

**Key words:** Job security regulations, state-society relationship, non-market coordination, labour movement, fsQCA

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## **Job Security Regulations in Western Democracies: A Fuzzy-Set Analysis**

There is a remarkable discrepancy between the number of theoretical arguments put forward in order to explain cross-national differences in the level of job security regulations and the amount of empirical research on their determinants. Job security regulations are frequently cited as a major reason for the bad labour market performance of European countries (for example, Blanchard 2006). Several theoretical accounts have been developed in order to explain cross-national variation in the level of job security regulations. In contrast, empirical literature on the determinants of job security regulations is scarce. This is especially the case for comparative empirical work. This article fills this gap in the scholarly literature by systematically analysing the determinants of job security regulations in Western democracies.

The few existing comparative studies all suffer from a ‘small-N problem’, which they attempt to solve either by unduly extending the number of observations or by restricting their focus to a single theoretical argument. For instance, Botero et al. (2004) posit a positive relationship between the political power of the left and the level of job security regulations on the basis of a sample that includes non-democratic countries such as Zimbabwe. Similarly, Rueda (2005) and Huo et al. (2008) increase the number of observations by using time-series data despite a lack of temporal variation. In contrast, Saint-Paul (1996), Bonoli (2003) and Emmenegger (2008) restrict their focus to single theoretical arguments and thereby fail to control for alternative explanations. Finally, Siegel (2007) also restricts his focus, and instead of analysing the determinants of job security regulations for regular employment, focuses exclusively on the regulation of temporary work contracts.

The analysis of the determinants of job security regulations is complicated by the lack of temporal variation. The OECD indicator of employment protection legislation exhibits a

correlation of  $r_p = 0.91$  between the earliest (1985) and the latest observation (2003), which sets narrow boundaries for statistical methods. Similarly, Holzmann et al. (2003: 3-7) argue that the development of job security regulations has been characterised by inertia in recent decades. Therefore, this article applies a long-term perspective. I am neither interested in recent changes in labour market regulation nor in the level of regulation today, but in the average level of regulation in the last two decades. The lack of temporal variation also has consequences for the arguments put forward in this article. First, I look for determinants that preceded this outcome. Second, I focus on determinants that are mostly time-invariant such as religious denominations, institutional veto points and state-society relationships. Third, rather than employing very fine-grained indicators and engaging in exercises in ‘degreeism’ (Sartori 1991: 248-49), I use simple indicators that qualitatively distinguish between different states.

Measurement issues, few cases<sup>1</sup> and interactive hypotheses (see below) are demanding in terms of method. The small number of cases and the interactive hypotheses render a regression analysis problematic. In-depth case studies could handle the measurement issues and the interactive character of the hypotheses, but would considerably reduce the number of cases covered by the analysis and complicate the simultaneous empirical testing of several arguments. As a consequence, I strike a balance between quantitative and qualitative methods by employing fuzzy-set qualitative comparative analysis (fsQCA). This method is particularly well suited for the purpose of this article since it can deal with complex arguments despite a small number of cases (Ragin 2000).

This article contributes in four ways to the scholarly literature. First, it provides a systematic analysis of the determinants of job security regulations in Western democracies. The analysis shows that there are three different paths that lead to high levels of job security regulations (equifinality). Each of these paths covers a different group of countries. Second, it

demonstrates that arguments based on ‘net effects’, that is, the ‘non-overlapping contribution of each independent variable to explained variation in the dependent variable’ (Ragin 2008: 113), do not offer satisfactory explanations for the cross-national differences in the level of job security regulations. Rather, it is argued that only combinations of conditions can account for variations in the level of job security regulations. Third, the analysis shows that state-society relationships and the degree of non-market coordination are – in interaction with other conditions – important determinants of levels of job security regulations, while the strength of religious parties and religious denomination affect the level of job security regulations only remotely. Finally, the article highlights the role of sequencing. It shows that the time of the first introduction of job security regulations by law is the most important factor separating the Southern European state capitalist and Continental European managed capitalist countries from the Nordic managed capitalist countries.

The article is structured as follows. The literature review identifies the different conditions that have been hypothesised to determine the level of job security regulations. Subsequently, the method is presented. The following part discusses the results of the empirical analysis and engages in a dialogue between ideas and evidence (Ragin 2008) by linking the empirical results to the theoretical arguments. A final section concludes.

### **Theoretical arguments on the determinants of job security regulations**

The literature identifies six main determinants of job security regulations: (1) religious denomination; (2) strength of religious parties; (3) strength of the labour movement; (4) number of institutional veto points; (5) state-society relations; and (6) degree of non-market coordination. In the following, these determinants are briefly discussed.

Catholic political culture is often considered the source of strict job security regulations (Esping-Andersen 1996, 1999). Catholic political culture exhibits a particular combination of value orientations. On the one hand, Catholics tend to be critical of unfettered market allocation and positive towards social policy interventions (social Catholicism). On the other hand, Catholics are opposed to redistributive policies, centralisation and state intervention. As a result, they support social measures that are implemented by the smallest, lowest or least centralised competent authority (family or professional associations) or the church. These value orientations lead to a particular set of social policies that highlight the role of labour law.

Catholic social reformers are said to support job security regulations due to their ‘implicit familialism’ that leads to a family’s virtually complete dependence on the male breadwinner (Esping-Andersen 1999: 23). By targeting social policy interventions at the male breadwinner, the whole family can be reached. The drawback is that the whole family becomes dependent on the income of the male breadwinner. Job security regulations institutionally strengthen traditional forms of family organisation with a working husband and caring wife, and are, as a result, supported by the Catholic Church.

The effect of Catholic political culture is not dependent on religiosity or particular political parties (Esping-Andersen 1996: 66). Instead, Catholic political culture provides the subjective orientation to all political actors independent of religiosity since its ‘impact is transmitted mainly through nationwide institutions, to the population of a society as a whole, even to those who have little or no contact to religious institutions’ (Inglehart & Baker 2000: 36).

However, political culture is not the same thing as political action. Political culture is a ‘system of empirical beliefs, expressive symbols, and values which define the situation in which political action takes place’ (Verba 1965: 513). Political actions are influenced by the particular political culture of a community or country. An actor is needed for policy to be enacted. This is especially the case for job security regulations since these regulations are mostly based on legislation. This is acknowledged by Esping-Andersen, when he argues that the predominance of the male breadwinner model meant that trade ‘unions came to battle for job security’ (Esping-Andersen 1996: 75). As a consequence, an interaction effect between a Catholic political culture and an implementing political force can be expected.

There are several potential candidates for the role of an implementing political force but religious parties, here understood as parties influenced by Christian teaching, are the most obvious choice (Pontusson 2005a: 217). Religious parties have dominated governments in many Western European countries for decades and often share many important features with Catholic social teaching such as subsidiarity and familialism (van Kersbergen 1995). However, in contrast to Vatican social teaching, religious parties are more open to state intervention and social policy as opposed to the Catholic Church’s continued adherence to moral concepts such as charity and love (ibid.: 193).

Alternatively, labour movements could be the political actor pushing for more job security regulations. Esping-Andersen (1996: 75) argues that trade unions would battle for job security regulations. He claims that a Catholic political culture influences the value orientations of all political actors, including the labour movement. As a consequence, the labour movements in Catholic countries demand more job security regulations while the labour movements in non-Catholic countries push for other social policies.

However, there are also other theories that posit a relationship between the strength of the labour movement and the level of regulation independent of religious factors. One builds on the insider/outsider theory of employment and unemployment (Lindbeck & Snower 1988). Saint-Paul (1996) and Rueda (2005) argue that social democratic parties and trade union movements try to increase the level of job security regulations to protect the labour market insiders from competition from the labour market outsiders. Emmenegger (2009) shows that empirical support for the predictions of the insider/outsider theory of employment and unemployment is rather weak. However, his analysis shows that the working class (including labour market insiders *and* outsiders) supports job security regulations. Since a disproportionate share of the working class vote goes to left-wing parties (Dalton 2006: 151-52), it can be assumed that the labour movement has an interest in supporting policies that strengthen job security.

The early power resources literature relies on a different logic and argues that the labour movement and left-wing parties generally support market restricting regulatory policies such as job security regulations (Botero et al. 2004: 1343-44; Siegel 2007: 252). Korpi argues that the system of wage labour leads to relationships of authority and subordination among people, and creates the basis for class divisions. This subordination of the working class, however, can be scaled down by restricting the prerogatives of the representatives of capital through legislation or collective bargaining (Korpi 1983: 17), for instance by abolishing the managerial prerogative to hire and fire at will (Korpi 1978: 326). As a consequence, the presence of left-wing parties in the government and the power resources of the trade union movement are crucial for the level of labour market regulation (Korpi 1983: 25).

Political actors may want to push through legislation on job security regulations, but are they able to do so? Institutional veto points have been identified as important mediating factors in

public policy making (Huber et al. 1993). These include democratic political institutions that decrease the probability of overcoming the political status quo (Immergut 1990: 395-98). The more institutional veto points a government faces, the more difficult it becomes to increase the level of job security regulations. Institutional veto points are particularly important in interaction with political actors such as social democratic or religious parties. This can be illustrated by combining the arguments discussed so far: A high level of job security regulations can be expected in Catholic countries with few institutional veto points and either a strong labour movement or a strong religious party.

A completely different line of thought is offered by Bonoli (2003). He argues that Esping-Andersen's (1996, 1999) focus on familialism is misleading because a divergence in the use of socially protective job security regulations can be observed 'well before the emergence of family forms other than that of the male breadwinner' (Bonoli 2003: 1015). Instead, he credits political-economic traditions and state-society relationships (Badie & Birnbaum 1983; Crouch 1993) as well as path-dependency (Pierson 2000) for the differences in the level of job security regulations.

Bonoli (2003) argues that countries have chosen certain policy paths in the provision of labour market regulation at crucial moments in the development of their modern industrial economies. These policy paths were determined by the state-society relationships that were dominant at that time. Once on a given policy path, countries continued to rely on well-known instruments in times of change. 'These initial decisions seem to have affected policy development to a significant extent, so that in subsequent instances of social instability, such as the interwar period or the recessions of the 1970s, countries have tended to rely predominantly on those instruments that were already in place' (ibid.: 1015-16).

In Bonoli's account, job security regulations are conceptualised as a form of social policy through labour markets. He identifies three different forms of political-economic traditions with corresponding social protection/labour market systems (ibid.: 1016-17). Market capitalist countries<sup>2</sup>, characterised by market dominance and a strong ideological influence of liberalism, rely on compensatory forms of social protection and redistributive income transfer programmes. Managed capitalist countries, marked by traditions of power-sharing between organised interests and the state, rely on collective bargaining systems and regulation of the labour market by trade unions and employers' associations. Finally, state capitalist countries, characterised by state dominance of society and fragmented and radicalised labour movements, rely on social protection by law such as job security legislation. Bonoli expects to find high levels of job security regulations in this last group of countries.<sup>3</sup>

According to Pontusson (2005b: 163), virtually all scholars of comparative political economy agree that capitalism can take on different institutional forms and that there are only a limited number of more or less coherent types of capitalism. Several authors agree that there is a state capitalist form that relies strongly on job security regulations (for example, Schmidt 2003). However, there is a certain disagreement with regard to the number of types of capitalism that need to be distinguished and their most important characteristics. Most scholars differentiate three models (market, state and managed capitalist countries). In addition, some argue that managed capitalist countries need to be further divided into Nordic and Continental European subgroups, as collective bargaining plays a bigger role in the Nordic managed capitalist countries (Crouch 1993; Pontusson 2005a, 2005b; Hall 2007).

The argument based on state-society relationships is linked to arguments based on denomination and on the strength of religious parties and the labour movement. In many state capitalist countries the conflict between the modernising state and the Catholic Church led to

the development of central states that filled the political space and crowded out other social actors such as the church or the labour movement (Crouch 1993; Madeley 2003). By challenging the modern state, the Catholic Church, accidentally and indirectly, supported the development of a state apparatus that tried to take over as many responsibilities as possible (Badie & Birnbaum 1983: 88). This also had consequences for religious parties, as they mostly came into existence where a strong Catholic church was attacked by the modern liberal state (Kalyvas 1996), but it was also very consequential for the labour movement. Entering the field when culture wars between the church and the state were already ongoing, the labour movement was often met with state repression (Bartolini 2000: 395-96; Madeley 2003: 25) and found the state inaccessible (Crouch 1993: 302). Frequently, this resulted in an ideological polarisation and fragmentation of the labour movement, which consequently reduced its power resources.<sup>4</sup>

Bonoli's (2003) argument implies high levels of job security regulations in state capitalist countries and low levels in market capitalist countries. The situation, however, is less clear for managed capitalist countries. Although there is no doubt about the role of collective bargaining in providing social protection in these countries, there are also good reasons to expect high levels of job security regulations. In managed capitalist countries, organised interests play an important role in policy making, particularly labour market policies. Trade unions, among others, might push for the extension of job security regulations, exactly as described above regarding the strength of the labour movement. However, what separates this line of thought from the power resources approach is its focus on employers.

Comparative capitalism scholars argue that employers in managed capitalist countries may not completely oppose job security regulations since these regulations also provide incentives to invest in skills (Estevez-Abe et al. 2001) and influence worker morale and firm-worker

cooperation (Streeck 1991). As a consequence, job security regulations may increase productivity (Nickell & Layard 1999: 3055).

Whether employers engage in such an exchange depends on the degree of non-market coordination in a production regime (Swenson 2002). Being confronted with fragmented and weak interest organisations, a strategy relying on skill investments and firm-worker cooperation may be too perilous due to the lack of credible partners or the risk of losing skilled workers through poaching by other employers. For such a strategy to succeed, strong and encompassing interest organisations are needed.

Scholars disagree on whether employers consider a production strategy relying on skills and firm-worker cooperation to be a first-best or only a second-best solution. Several authors argue that the existing power relations restrict the menu of options from which employers can choose (for example, Hacker & Pierson 2002). As a consequence, social policies and labour relations shape production strategies and not vice versa. Korpi (2006) goes further, arguing that production strategies are chiefly the result of the strength of the labour movement or of the competition between religious parties and the labour movement. However, most authors agree that a considerable number of employers do not totally oppose the introduction of social protection schemes, an attitude that opens the possibility for a production regime based on a high level of non-market coordination.

Three conclusions can be drawn. First, the review shows that most theoretical arguments are interlinked. To reiterate an example already given: A high level of job security regulations can be expected in Catholic countries with few institutional veto points and either strong religious parties or a strong labour movement. Thus, the analysis of the determinants of job security regulations has to pay attention to the interactive nature of the theoretical arguments.

Second, the theoretical arguments suggest that there are different paths that lead to high levels of job security regulations. For instance, Bonoli's (2003) hypothesis can be combined with arguments based on the level of non-market coordination: A high level of job security regulations can be expected in countries characterised by either high levels of statism or high levels of non-market coordination. Therefore, the analysis has to allow for equifinality.

Finally, some arguments are causally related to each other. For instance, conflicts between the modernising state and the Catholic Church led in some countries to the development of high levels of statism (Crouch 1993) and the development of Christian democratic parties (Kalyvas 1996). Consequently, the formal analysis has to be combined with a qualitative discussion of the historical development of job security regulations in the countries at hand in order to allow for a distinction between remote (Catholicism) and proximate (religious parties) causes.

In total, the literature review shows that a method is needed that can deal with causal complexity in the presence of few cases. Such a method, qualitative comparative analysis (QCA), is discussed in the next section.

## **Method**

QCA has been developed by Ragin (1987) as a middle path between qualitative and quantitative social research. QCA is based on set-theoretic relations and focuses on explicit connections between conditions. This stands in stark contrast to methods based on correlations that focus on tendential relationships ('net effects'), regressions for example. The focus on set-theoretic relations is asymmetrical, which allows addressing questions of

necessity and sufficiency separately. QCA necessitates a dichotomisation of both conditions and outcome. This has been criticised as leading to an unnecessary loss of information. Depending on the research question, a dichotomous coding might be appropriate. However, in other cases, nuances in coding may allow for more subtleties in the relationships. In reaction to his critics, Ragin (2000) developed fsQCA, which is the combination of fuzzy-set theory and QCA. Fuzzy-sets allow for partial membership in a set. While QCA differentiates between black and white, fsQCA includes shades of grey.

Although fuzzy-sets are commonly used in other scientific disciplines, their usage in the social sciences is still unfamiliar. This is unfortunate as fuzzy-sets are well suited for social science research. Verkuilen (2005: 470) argues that ‘there is nothing inherently wrong with direct subjective assignments, although there are better or worse ways of doing it. In many circumstances, particularly in more macro-scale areas such as sociology, political science, or economic history, the likely error in subjective assessment is less than those found in seemingly objective indicators, which may have substantial bias.’ However, the calibration of fuzzy-set scores is of utmost importance. fsQCA highlights these measurement issues. Proponents of this approach strongly advise presenting the calibration as transparently as possible and to provide all data necessary to replicate the analysis (Ragin & Sonnett 2005: 193). Due to space restrictions, I am not able to present the calibration in this article. A detailed online appendix can be found on the journal’s website.

Table 1 displays the fuzzy-set scores for the outcome and the six conditions. Results are presented in equation form using letters as abbreviations for the conditions and the outcome. JSR represents job security regulations; C non-market coordination; S state-society relationships; L strength of the labour movement; P strength of the religious parties; R denomination; and V institutional veto points. Capital letters indicate the presence of a

condition, while small letters indicate the absence of a condition, that is, JSR indicates a high level of job security regulations, and jsr indicates a low level of job security regulations. All raw data are from the period 1950 to 2000 except the outcome JSR (1985-2003), and the conditions religious denomination R (constant) and state-society relationship S (1920-1935). Since state-society relationships were stabilised before 1945 (Whiteside & Salais 1998), this fuzzy-set score must go further back in time. See the online appendix for a detailed discussion of the data sources.

[Table 1]

The problem of limited diversity, that not all logically possible combinations of relevant causal conditions exist in the real world (Ragin 1987: 104-113), is approached by differentiating between easy and difficult counterfactuals. This procedure has been suggested by Ragin and Sonnett (2005) in order to strike a balance between parsimony and complexity. Instead of using no or both easy and difficult counterfactuals to simplify results, I incorporate only those counterfactuals that correspond to the theoretical expectations (easy counterfactuals), while those not corresponding to the theoretical expectations (difficult counterfactuals) are not included in the simplification of the results obtained.

Finally, I evaluate the results using both graphical representations as well as descriptive measures such as consistency and coverage scores (Ragin 2006). Consistency assesses the degree to which a subset relation has been approximated, while coverage assesses the empirical relevance of a consistent subset (*ibid.*: 291). It is important to note that coverage is only interpreted for consistent results. Coverage for inconsistent results is not a meaningful indicator (Schneider & Wagemann 2007: 209). Consistency and coverage are calculated using the software fsQCA 2.5 (Ragin et al. 2009).

### **Necessary conditions for the outcome ‘high level of job security regulations’**

Table 2 shows the results of the analysis of the necessary conditions for the outcome ‘high level of job security regulations’. Schneider and Wagemann (2007: 213) recommend considering conditions to be necessary only if their consistency scores are very high. As a consequence, I use 0.90 as a threshold for accepting a condition to be necessary. As can be seen in Table 2, all consistency scores are clearly below 0.90. Thus, none of the six conditions alone is necessary for a high level of job security regulations.

An analysis of necessary conditions can also be performed for combinations of conditions. However, it is important to note that this is only meaningful if there are good theoretical arguments for these conditions to be combined (ibid.: 59). This is the case for state-society relationship and the degree of non-market coordination. A high level of job security regulations (JSR) can only be expected in countries characterised by high levels of statism (S), high levels of non-market coordination (C) or both.

This is indeed the case, as Table 2 reveals. The consistency score in the case of S+C is 0.968, making the combination of conditions S+C a necessary condition for the outcome JSR.

[Table 2]

Figure 1 shows the relationship graphically. For a condition to be necessary, all cases should be located around or below the bisecting line (Ragin 2000: 215). In Figure 1, some cases are located next to, or even on, the bisecting line, while no case is clearly above the bisecting line.

However, others are clearly below this line. This means that while a high level of statism or non-market coordination is necessary for the presence of the outcome JSR, their presence is not sufficient. Some countries have low levels of job security regulations despite their rather high levels of statism (New Zealand and the United Kingdom) or non-market coordination (Denmark and Switzerland).

[Figure 1]

Both Denmark and Switzerland ‘compensate’ for low levels of job security regulations with high levels of unemployment protection (Estevez-Abe et al. 2001: 168). This should not be interpreted as a trade-off between employment and unemployment protection, but as a sign that these countries provide more social protection through labour markets than market capitalist countries.

Furthermore, there may also be an effect of the level of statism in market capitalist countries. Today, market capitalist countries such as Ireland, New Zealand and the United Kingdom exhibit low levels of job security regulations despite their rather high levels of statism at the beginning of the 20<sup>th</sup> century. This is due to the strong ideological influence of liberalism (Bonoli 2003: 1016-17). However, exactly those countries with a comparatively high level of statism among the market capitalist countries are also the countries that experienced the most profound transformations of their economic structure. Ireland, New Zealand and the United Kingdom all went through several deregulatory reforms in recent decades that moved them more towards the market capitalist ideal type (Box 1998; Deakin & Reed 2000; Glyn 2005).<sup>5</sup>

**Sufficient conditions for the outcome ‘high level of job security regulations’**

The results of the analysis of the sufficient conditions for the outcome ‘high level of job security regulations’ are displayed in Table 3. While consistency of the result is very high (0.965), coverage is satisfying (0.685). The truth table is shown in the Appendix. Four combinations of conditions lead to a high level of job security regulations: (1) high levels of statism, Catholicism and few institutional veto points; (2) high levels of statism, strong labour movements, Catholicism and strong religious parties; (3) high levels of statism, high levels of non-market coordination, Catholicism and strong religious parties; and (4) high levels of non-market coordination, strong labour movements, strong religious parties and few institutional veto points.

[Table 3]

Figure 2 presents the results graphically. Note that for a condition or a combination of conditions to be sufficient, all cases should be located around or above the bisecting line (Ragin 2000: 236).

[Figure 2]

This result reveals many interesting regularities and crucial differences. First, the previously identified necessary condition, S+C, can also be found in the analysis of sufficient conditions. More concretely, all countries with a high level of job security regulations exhibit a high level of statism, a high level of non-market coordination or both. However, statism and non-market coordination alone are not sufficient conditions since both Denmark and Switzerland, despite high levels of non-market coordination, have low levels of job security regulations, while

New Zealand and the United Kingdom are characterised by low levels of job security regulations despite high levels of statism.

Second, no single condition is included in all combinations. This is not surprising. High levels of job security regulations can be observed in non-Catholic countries such as Norway, in countries with weak labour movements such as Portugal and in countries with weak religious parties such as France.

Third, the result splits the managed capitalist countries into two groups. Both combinations include a high level of non-market coordination and strong religious parties, but one group of managed capitalist countries is also characterised by Catholicism and high levels of statism while the other group is characterised by strong labour movements and few institutional veto points. This result is in line with Pontusson's (2005a) claim that the managed capitalist countries should be divided into a Continental European and a Nordic group.

Fourth, the sufficient condition  $S^*R^*L^*P$  covers only Spain and considerably underestimates the level of job security regulations in this country (see Figure 2). Unlike the other state capitalist countries, Spain is characterised by a rather high number of institutional veto points. However, it should be noted that the fuzzy-set score for Spain probably overestimates the number of institutional veto points since the decentralisation of Spain is an on-going process. Note that a reduction of Spain's fuzzy-set score for the number of institutional veto points (to 0.33) leads to the disappearance of the combination  $S^*R^*L^*P$ . In this case, Spain is covered by the combination  $S^*R^*v$ , just like the other state capitalist countries (consistency = 0.965; coverage = 0.692).

Finally, the result of the fsQCA analysis is very robust despite a high number of logical remainders. The result discussed is based on six conditions and 19 cases. Six conditions can be combined in  $2^6 = 64$  ways. As a consequence, there could be a problem of limited diversity. However, the result presented is very robust. Removing S and C, which have also been identified as necessary conditions, from the equation leads to the following result (16 possible combinations with 19 cases):  $R*v + R*P + L*P*v \rightarrow JSR$ . In this case,  $S*R*L*P$  and  $S*C*R*P$  have collapsed since  $R*L*P$  is a subset of  $R*P$ . Apart from that, the result is identical to the equation presented in Table 3.

In the following, I discuss the combinations  $S*R*v$  covering state capitalist countries<sup>6</sup>,  $S*C*R*P$  covering Continental European managed capitalist countries, and  $C*L*P*v$  covering Nordic managed capitalist countries as well as the low levels of job security regulations in market capitalist countries.

### *The state capitalist path to high levels of job security regulations*

State capitalist countries (France, Italy, Portugal and Spain) are characterised by high levels of statism, Catholicism and, with the exception of Spain, few institutional veto points. In these countries, the Catholic Church became the rallying point for all forces alienated from modernisation (Crouch 1993: 301). In France and Italy, Catholicism led to a high level of statism because the Catholic Church challenged the legitimacy of the modernising state. In contrast, in Portugal and Spain, the Catholic Church sided with the authoritarian central states against the democratising forces. As a reaction to these challenges, the nation-states have built up a comprehensive administration, a tight network of regulations and filled the political space (Crouch 1993). Thus, the rejection of modernisation by the Catholic Church led to the

emergence of strong, though not necessarily efficient, states (Badie & Birnbaum 1983: 88-89).

As a consequence, it is not surprising that Catholicism and statism tend to coincide. But are they also both related to job security regulations? There are two reasons that speak against the claim that Catholicism is the main source of job security regulations. First, in countries where the modernising state 'had to struggle to assert its autonomy from and superiority over an established religion, as for instance in France and Italy, it became exceptionally 'jealous' of political space, reluctant to share it, and thus exclusive in its claims to sovereignty' (Crouch 1993: 302). As a result, the modernising and state-building forces found it necessary to take an anti-Catholic, militantly liberal-secular form. Thus, 'modern social policy institutions [...] were designed and put on the agenda by forces either non-Catholic or a-Catholic' (Therborn 1994: 107). This conclusion may be most obvious in countries with weak religious parties, but also holds in countries with strong religious parties (Trifiletti 1999; Lynch 2009).

The conflict between state and church also had profound consequences for the labour movement (Crouch 1993; Bartolini 2000; Madeley 2003). Confronted with dominant states not willing to share political space, labour movements remained organisationally weak and turned radical. Crouch (1993) describes the interest intermediation mode in these countries as one of contestation. However, the strength of the labour movement is not totally unrelated to the level of job security regulations, as the Italian case illustrates. The Worker's Charter of 1970, which led to the considerable strengthening of dismissal restrictions, was the direct result of the workers' increased power resources and the subsequent protests of 1968-69 (Regalia et al. 1978: 152).

Second, an explanation based on Catholicism suffers from a ‘timing problem’. In the 1970s, most countries considerably intensified job security regulations for the last time. However, at this time, religion had already lost a great deal of its influence (Norris & Inglehart 2004). Furthermore, Esping-Andersen’s (1996) argument is based on the conservative family values that Catholicism supports. However, until the 1960s social democratic parties and the trade union movement also endorsed the male breadwinner model, even in unlikely places such as Sweden (Bonoli 2003: 1015; Naumann 2005: 54). In fact, when the Swedish labour movement started to actively support the labour market entry of women in the 1960s (Naumann 2005), thus abandoning these conservative family values, they also started to push for more dismissal restrictions (Korpi 1978: 326-27; Elvander 1983: 353).

Thus, the Catholic influence was mostly remote. Catholicism supported the development of dominant states and statist political-economic traditions, which, in turn, were the main source of job security regulations. In state capitalist countries, the state has crowded out the church and the labour movement and provides social protection itself. This can be best done by regulations such as dismissal restrictions.

#### *The Continental European managed capitalist path to high levels of job security regulations*

The Continental European managed capitalist countries (Austria, Belgium and Germany) are characterised by high levels of statism and non-market coordination, Catholicism and strong religious parties. The main differences from the state capitalist countries discussed above are the presence of a high level of non-market coordination and strong religious parties.

In these three countries, employment relationships were regulated very early by law. Germany was the first European country to restrict dismissals for insufficient objective reasons (Vogel-Polsky 1986: 189). The 1920 Works Councils Act was passed 49 years before the ILO proclaimed the concept of 'unfair dismissal' as an international standard. Even when the Works Council Act was replaced in 1934 by the Act on the Reorganisation of National Labour, by which the national socialist government abolished the work councils, the protection against unfair dismissals was not abrogated (Birk 1993: 248).

The German example demonstrates how the development of social policy at the beginning of the 20<sup>th</sup> century in these countries was not due to the socio-economic developments or the strength of the labour movement, but to the legitimating ambitions of the ruling elite (Alber 1982; Esping-Andersen 1990). The ruling elite provided social security for the masses by means available to the state. This does not imply that the regulations were passed independently of the strength of the labour movement. Quite the contrary, legislation was passed in order to steal the labour movement's thunder.

The story is similar in Austria and Belgium. The Belgian state has been very critical towards the labour movement. The Belgian law prescribed penalties against workers' associations and privileged employers in court. The legal discrimination was finally removed in 1921 (Vilrocx & Van Leemput 1992: 360). Nevertheless, the Belgian labour movement gained strength in the second half of the nineteenth century. Protests in 1886, the 'Black Year', led to changes in government policy. Politicians turned to reforms instead of repression and passed several acts on the legal status of trade unions and working conditions. Since then, working conditions have remained subject to legislation. The important social pact between trade unions and employers' associations following World War II did not incorporate questions of working conditions or dismissal restrictions (Blanpain 1988: 36). In Austria, the development of

labour law has been delayed due to late industrialisation (Strasser 1982: 38). After World War I the Austrian state regulated many facets of the labour relations (ibid.: 39). Thereby, Austria followed a similar pattern as Germany (Rüegg 1981: 51).

After World War II, these three countries developed corporatist interest intermediation systems and experienced many years of Christian democratic government. Labour law took a back seat (Kaufmann 2003: 134, 151). However, the foundation stones for the regulation of the labour market had already been set. As a consequence, I argue that the level of statism is again the main source of job security regulations. While Christian democratic incumbency and a high level of non-market coordination provided a fertile ground for the *persistence* of high levels of labour market regulation, the early adoption of ‘labour market regulation’ as a policy issue by the state proved to be crucial.

This conclusion is also supported by the Swiss case. Switzerland is a Continental European managed capitalist country characterised by a very flexible labour market despite a high level of non-market coordination, a strong Christian democratic party and a large Catholic minority. What differentiates Switzerland from Austria, Belgium and Germany is the low level of statism. Indeed, as I show elsewhere (Emmenegger 2010a), Switzerland’s low level of regulation can be traced back to the weakness of its federal state, which supports the interpretation of the development of job security regulations in Continental European managed capitalist countries that I propose.

*The Nordic managed capitalist path to high levels of job security regulations*

The Nordic managed capitalist countries (Denmark, the Netherlands, Norway and Sweden) are characterised by high levels of non-market coordination, strong labour movements, moderately strong religious parties and few institutional veto points. However, I would like to note from the outset that this combination overestimates the role of religious parties in Denmark, Norway and Sweden. The last major increases in the level of job security regulations in these countries took place in the 1970s. At that time, religious parties did not play a significant role in Denmark and Sweden, while Norwegian Christian Democracy cooperated with bourgeois parties against Social Democracy (Gross & Rothholz 2003: 142).

Nevertheless, the condition ‘strength of religious parties’ is incorporated in the result. This is due to the simplification procedure in the fsQCA analysis. Following Ragin and Sonnett (2005), I do not remove constitutive terms if they are theoretically plausible. This is the case for the strength of religious parties in Continental Europe, but not in Scandinavia. As a consequence, the condition ‘strength of religious parties’ remains in this combination and leads to an underestimation of the real level of job security regulations in Norway and Sweden, though not in liberal Denmark. This is because religious parties in Scandinavia are not particularly strong (with fuzzy-set scores between 0.2 and 0.6) while the levels of job security regulations are high in Norway and Sweden.

In the Nordic managed capitalist countries, labour market regulations have traditionally been subject to collective bargaining (Kjellberg 1992; Due et al. 1994; Elvander 2002). Norway is a partial outlier here since individual employment rights are predominantly regulated by law and only extended by collective agreements (Dølvik et al. 1997). There are two reasons for the important role of collective bargaining. First, the Nordic managed capitalist countries did not possess a comprehensive legal code which also incorporated labour market regulations (Sundberg 1969: 201). Second, the development of the trade union movement was not

constrained by the state (Armingeon 1994: 36-40). Not checked by a powerful state, the trade union movement quickly gained in strength and challenged the employers. The employers rose to the challenge by concentrating their organisations to engage in centralised bargaining with the trade unions, an organisational move that was quickly imitated by the trade unions (Due et al. 1994; Swenson 2002). Labour market regulation through collective agreements is only possible in presence of well-organised and representative interest associations and cooperative bargaining relations. This is reflected by the inclusion of a high level of non-market coordination in the result of the fsQCA analysis.

The regulation of dismissals through collective bargaining generally led to comparatively low levels of regulation. This is mirrored in the famous Swedish Rehn-Meidner model. Solidaristic wage policy increased the pressure on unprofitable enterprises while allowing profitable enterprises to invest and expand. Workers were expected to change from unprofitable enterprises to successful ones. This was institutionally supported by active labour market policies. In such an economic model extensive job security regulations would be out of place and were consequently not supported by social democratic governments (Pontusson 2005a: 125-26; Hall 2007: 74).

However, the compromise between the state, trade unions and employers' associations was challenged in the 1960s. Workers' growing demand for job security regulations led Norwegian and Swedish trade unions to demand public legislation (Kjellberg 1992: 97-98; Dølvik et al. 1997: 54). This resulted in the 1974 Employment Protection Act in Sweden and the 1977 Work Environment Act in Norway. Social democratic governments passed both acts despite opposition from employers' associations. This is reflected by the inclusion of the conditions 'strong labour movement' and 'few institutional veto points' in the result of the fsQCA analysis.<sup>7</sup>

Here, the paths of Sweden and Denmark diverge. While there were also discussions in Denmark that led to restrictions of managerial prerogatives, for example, the 1973 Basic Agreement, the Danish labour market parties continued to rely on collective agreements (Elvander 2002). Elsewhere, I show that, consistent with the results presented here, the power relations did not allow the Danish trade union movement and Social Democratic Party to push through legislation against the will of bourgeois parties and employers' associations (Emmenegger 2010b).

The Netherlands is somewhat of an outlier in this group, although it has also been classified as a 'socialist welfare regime' by Esping-Andersen (1990: 74) in his contribution on different worlds of welfare. The Dutch government played only a small role in social policy and labour law, with the exception of (short) notice periods prior to the termination of a permanent contract and occupational safety and health regulations, before World War I (Bakels 1987: 22; Deelen et al. 2006: 65; van Kersbergen 2009: 120). This was due to the strength of the liberal movement. However, during World War II, the German occupants passed a law on job security, modelled after the German Act on the Reorganisation of National Labour, which the Dutch government decided to uphold after the war (Deelen et al. 2006: 65). Moreover, in the 1940s the political projects of Christian and Social Democracy converged in the areas of social and family policy (van Kersbergen 2009: 134). This 'Roman-Red' coalition became very active and, supported by collaborative labour relations and confronted with few institutional veto points, set the tone for future social policy development, which was also binding for the coalitions that came after (ibid.: 120-21). These social policy activities also included many new labour laws (Bakels 1987: 22-23).<sup>8</sup>

### *Low levels of job security regulations in the market capitalist countries*

The market capitalist countries are all characterised by low levels of job security regulations. These cases clearly demonstrate that the conditions discussed ‘in isolation’ cannot explain the levels of job security regulations in Western democracies. Although New Zealand and the United Kingdom are both characterised by high levels of statism, neither of them is characterised by high levels of job security regulations. Similarly, the Irish case shows that a Catholic religious denomination and the presence of comparatively strong religious parties do not automatically lead to high levels of job security regulations. Moreover, these cases demonstrate that neither the presence of a strong labour movement (Australia), nor the absence of institutional veto points (Ireland, New Zealand and the United Kingdom) are sufficient conditions for high levels of job security regulations.

However, with regard to the market capitalist countries, it is important to recall the results of the analysis of the necessary conditions for the outcome ‘high levels of job security regulations’. Countries characterised by high levels of job security regulations are marked by high levels of statism, high levels of non-market coordination or both. In fact, all market capitalist countries exhibit low levels of non-market coordination. However, a low level of non-market coordination is not a necessary condition for low levels of job security regulations since Denmark and Switzerland, both characterised by relatively high levels of non-market coordination, are also marked by low levels of job security regulations.

### **Conclusions**

The analysis uses fsQCA to show that theoretical arguments based on ‘net effects’ offer no satisfactory explanation for the variations in the level of job security regulations among Western democracies. Neither the strength of the labour movement, Catholicism, the strength of religious parties, nor the number of institutional veto points are necessary or sufficient conditions for high levels of job security regulations. The evidence is more supportive of arguments based on levels of statism and non-market coordination. All countries characterised by high levels of job security regulations exhibit high levels of statism, high levels of non-market coordination or both. However, while the presence of one of these conditions is necessary for the outcome ‘high levels of job security regulations’, neither one of them nor their combination is a sufficient condition for high levels of job security regulations.

The analysis of sufficient conditions reveals three paths to high levels of job security regulations (equifinality). The first path covers the state capitalist countries and is characterised by high levels of statism. These countries’ high levels of statism are the result of conflicts between the forces alienated by modernisation, such as the Catholic Church, and forces supporting the introduction of liberal democracy, which led to the emergence of contentious industrial relations and in some cases religious parties. In these countries, governments turned to legislation as the primary source of social protection in the absence of encompassing and collaborative trade unions. The second path covers the Continental European managed capitalist countries and is also characterised by high levels of statism. In these countries, repressive governments employed a stick-and-carrot strategy to weaken the labour movement. After defeat in World War II, these countries turned to a more reformist approach and collaborative industrial relations emerged. However, these countries already entered the path of public provision of job security regulations before collaborative industrial relations came to exist. Finally, the third path covers the Nordic managed capitalist countries. This path is characterised by a high degree of non-market coordination, strong labour

movements and few institutional veto points. In these countries, job security regulations have traditionally been subject to collective agreements. However, in the 1960s, the labour movement started to demand public legislation and succeeded in the 1970s, except in Denmark, thanks to left-wing governments and despite opposition from employers' associations.

With regard to the theoretical arguments put forward, the analysis does not support hypotheses based on religious denomination and the strength of religious parties. Extensive job security regulations are not the result of the policy preferences of conservative social reformers or political actors influenced by Christian teaching. Rather, this analysis supports Bonoli's (2003) account, which emphasises the role of state-society relationships and path dependency.

Similarly, the case studies highlight the role of sequencing. This becomes particularly clear in the discussion of the Nordic managed capitalist countries. In these countries, job security was first regulated by collective agreements. The completion of basic agreements between the social partners before the introduction of parliamentarism precluded the regulation of the labour market by law, as the social partners filled the political space (Crouch 1993). These developments led to a comparatively low level of regulation until the late 1960s, when a radicalised labour movement pushed through the regulation of job security by law (Emmenegger 2010b). In fact, the time of the first introduction of job security regulations by law is the most important factor separating the state capitalist and Continental European managed capitalist countries from the Nordic managed capitalist countries.

The Nordic managed capitalist cases also demonstrate that the level of non-market coordination is an important determinant of the level of job security regulations, however, not

in the sense discussed in the theoretical part. Job security regulations are not the result of a collective action problem to solve the problem of skilled worker scarceness, as claimed by the varieties of capitalism literature, but of encompassing collective agreements ('basic agreements') that require a high level of non-market coordination. Nevertheless, the Nordic managed capitalist countries can be characterised as high-skill economies. However, this has more to do with wage compression incentive effects (Iversen & Stephens 2008) and trade unions preferences (Ebbinghaus 2006: 125) than with a production regime based on specific skills.

The role of the strength of the labour movement is ambiguous. It has been identified as an important determinant of high levels of job security regulations in the Nordic managed capitalist countries. Moreover, elsewhere, I have demonstrated that the labour movement is the main agent pushing for further restriction of the managerial prerogative to hire and fire (Bonoli & Emmenegger 2010; Emmenegger 2010a, 2010b), thereby confirming the claims of the power resources literature. However, the present analysis has also shown that strong labour movements alone (even in absence of significant institutional veto points) do not lead to extensive job security regulations. Rather, in a context of high levels of statism, even a relatively weak labour movement may be able to push through extensive job security regulations. In contrast, in the absence of high levels of statism, even strong labour movements may fail to enforce extensive job security regulations, as the Danish case illustrates.

Finally, the analysis identified the Netherlands as an important outlier. Although characterised by relatively low levels of statism, the Dutch labour market parties did not manage to regulate the labour market by means of 'basic agreements' due to the fragmentation of the trade union movement. Nevertheless, reforms by the German occupants during World War II, which the

Dutch government decided to uphold after the war, and subsequent reforms led to the enactment of restrictive job security regulations. This sets the Dutch case apart from any other case covered by this study.

In sum, there is a remarkable discrepancy between the scholarly interest in job security regulations and the amount of empirical research on their determinants. Several theoretical accounts have been developed to explain cross-national variation. However, a systematic empirical analysis of the determinants of job security regulation that allows for causal complexity has been missing. In this article, I have shown using the novel method fsQCA that cross-national variation can be explained when attention is paid to the interactive nature of the theoretical arguments and when the analysis allows for equifinality. As a result, this study should also remind us that we need to allow for complex causality in macro-comparative research.

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*Table 1: Summary table of all fuzzy-set scores*

<b>Country</b>	<b>Job security regulations</b>	<b>State-society relationships</b>	<b>Non-market coordination</b>	<b>Strength labour movement</b>	<b>Denomination</b>	<b>Strength religious parties</b>	<b>Veto points</b>
<b>Abbreviation</b>	<b>JSR</b>	<b>S</b>	<b>C</b>	<b>L</b>	<b>R</b>	<b>P</b>	<b>V</b>
Australia	0.14	0.00	0.00	0.57	0.20	0.00	1.00
Austria	0.71	0.67	1.00	0.57	1.00	0.80	0.67
Belgium	0.57	1.00	0.67	0.43	1.00	1.00	0.67
Canada	0.14	0.00	0.00	0.14	0.20	0.00	1.00
Denmark	0.29	0.00	0.67	0.86	0.40	0.40	0.00
Finland	0.43	0.67	1.00	0.71	0.40	0.40	0.00
France	0.71	1.00	0.33	0.43	1.00	0.20	0.33
Germany	0.86	1.00	1.00	0.43	0.60	0.80	1.00
Ireland	0.29	0.33	0.00	0.14	1.00	0.40	0.00
Italy	0.86	1.00	0.33	0.57	1.00	1.00	0.33
Netherlands	0.71	0.00	0.67	0.29	0.20	1.00	0.67
New Zealand	0.14	0.67	0.00	0.29	0.00	0.00	0.00
Norway	0.86	0.00	1.00	1.00	0.40	0.60	0.00
Portugal	1.00	1.00	0.00	0.43	1.00	0.20	0.00
Spain	1.00	1.00	0.00	0.71	1.00	0.60	0.67
Sweden	0.86	0.00	1.00	1.00	0.40	0.20	0.33
Switzerland	0.29	0.00	0.67	0.14	0.20	0.80	1.00
UK	0.14	1.00	0.00	0.29	0.00	0.00	0.00
USA	0.00	0.00	0.00	0.00	0.00	0.00	1.00

**Table 2:** Analysis of necessary conditions for the outcome 'high level of job security regulations'

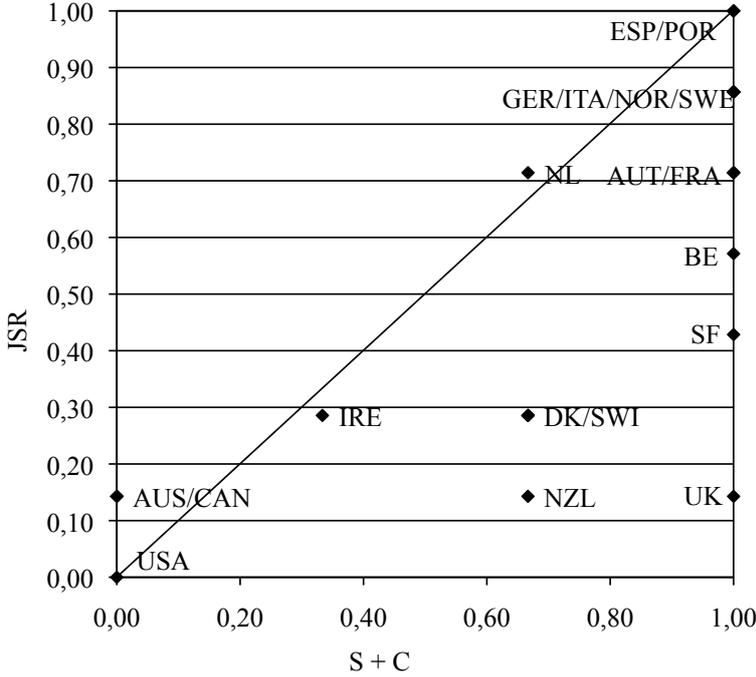
<b>Condition tested</b>	<b>Consistency</b>	<b>Coverage</b>
S	0.667	0.714
C	0.620	0.743
L	0.714	0.793
R	0.791	0.791
P	0.672	0.800
v	0.648	0.627
S + C	0.968	0.691

**Table 3:** Analysis of sufficient conditions for the outcome 'high level of job security regulations'

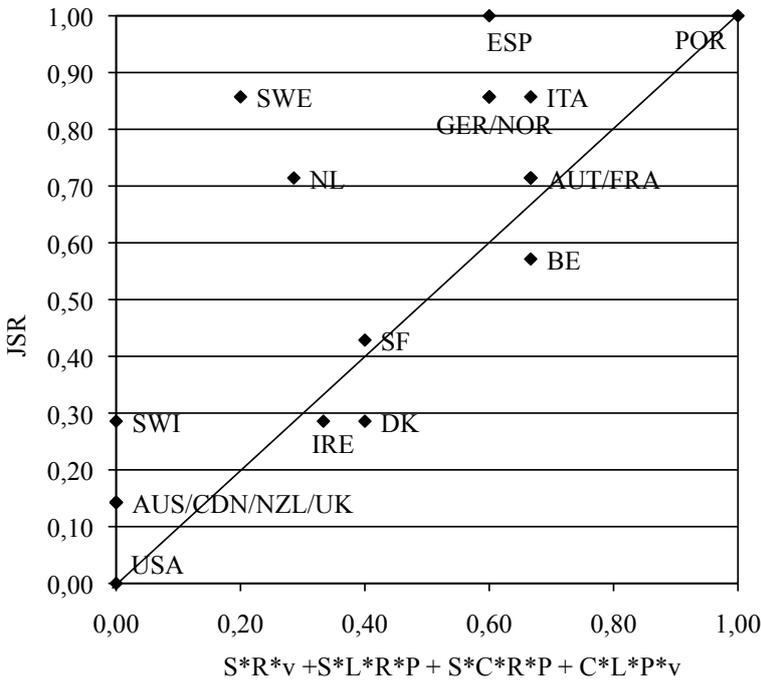
<b>Solution:</b>	<b>S*R*v</b>	<b>+</b>	<b>S*L*R*P</b>	<b>+</b>	<b>S*C*R*P</b>	<b>+</b>	<b>C*L*P*v</b>	<b>→ JSR</b>
Single country coverage:	France Ireland Italy Portugal		Spain		Austria Belgium Germany		Denmark Netherlands Norway Sweden	
Consistency:	0.990		1.000		0.965		0.964	
Raw coverage:	0.402		0.354		0.277		0.297	
Unique coverage:	0.152		0.027		0.041		0.138	
Solution consistency: 0.965			Solution coverage: 0.685					

**Note:** The consistency threshold (yconsist) has been set at 0.94. The next highest consistency score is 0.84. Countries not listed are covered by more than one combination.

**Figure 1:** Necessary conditions for the outcome 'high level of job security regulations'



**Figure 2:** Sufficient conditions for the outcome 'high level of job security regulations'



**Appendix: Truth table for the analysis of sufficient conditions for the outcome 'high level of job security regulations'**

<b>S</b>	<b>C</b>	<b>L</b>	<b>R</b>	<b>P</b>	<b>V</b>	<b>Number</b>	<b>yconsist</b>
<i>1</i>	<i>1.000</i>						
<i>1</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1.000</i>
<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>1.000</i>
<i>1</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>1.000</i>
<i>1</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>0.977</i>
<i>0</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>0.940</i>
<i>0</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>0.839</i>
<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0.717</i>
<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>0.716</i>
<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0.581</i>
<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>0.494</i>
<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>0.203</i>
<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>0.198</i>

## Calibration of the fuzzy-set scores

### **‘Job Security Regulations in Western Democracies: a Fuzzy-Set Analysis’, by Patrick Emmenegger, forthcoming in *European Journal of Political Research***

In this section I discuss the calibration of the fuzzy-set scores. Although fuzzy-sets are commonly used in other scientific disciplines, their usage in the social sciences is still unfamiliar. This is unfortunate since fuzzy-sets are very well suited for social science research. Verkuilen (2005: 470, emphasis added) argues that ‘there is nothing inherently wrong with direct subjective assignments, although there are better or worse ways of doing it. In many circumstances, particularly in *more macro-scale areas such as sociology, political science, or economic history*, the likely error in subjective assessments is less than those found in seemingly objective indicators, which may have substantial bias.’ However, the calibration of fuzzy-set scores is of utmost importance (Smithson 1987; Lieberman 1994; Klir & Yuan 1995; Kvist 2006). fsQCA highlights these measurement issues. Proponents of this approach strongly advise presenting the calibration as transparently as possible and providing all the data that is necessary to replicate the analysis (Ragin & Sonnett 2005: 193; Ragin 2008). I follow this recommendation and discuss the calibration in great detail here.

In the following, I rely on a conservative calibration strategy. Due to the data availability and data quality, I do not employ the direct method (Ragin 2008), which tries to exploit the full amount of variation in the indicator. Instead, I rely on a more traditional approach and develop fuzzy-set scores that distinguish between four and eight different states, the number of states being a function of data quality and data availability. Moreover, I distinguish between an even number of states to make sure that no cases are classified on the cross-over point (0.5).

#### *Outcome: job security regulations (JSR)*

Job security regulations can be understood as restrictions placed on the ability of the employer to use labour (Addison & Teixeira 2003: 85). This definition comprises the regulation of working time, part-time work and many other things. In this analysis, my focus is restricted to the regulation of numerical flexibility, which in my conceptualisation mainly comprises two aspects: (1) restrictions on firing regular workers and (2) restrictions on hiring temporary workers. The OECD (2004) developed an indicator that tries to capture cross-sectional and temporal variations in job security regulations. The indicator is available for all 19 countries and covers the period 1985 to 2003 (New Zealand is only covered from 1990 onwards). Despite being the most detailed indicator available, the OECD indicator has been subjected to heavy criticism (Crouch et al. 1999; Addison & Teixeira 2003; Emmenegger 2009).

Crouch et al. (1999) argue that the measurement of legal restrictions leads to a legalistic bias (see also Ahlering & Deakin 2007: 883). They highlight two important blind spots: (1) non-statutory regulations and (2) implementation of legislation (Crouch et al. 1999: 36). The first issue is particularly important for countries like Japan and Denmark. Japan ‘has, within its great firms, possibly the most institutionalised labour markets in the world; but because the factors which reduce the disposability of labour result from corporate strategy rather than government regulation, they are disregarded as not really being job regulation’ (ibid.). However, this is not particularly problematic since Japan is not included in the analysis. Things are different in the case of Denmark, which is included in this study. Here, collective agreements seem to play a bigger role than legal provisions (Sigeman 2002: 259). However, according to Bertola et al. (1999) collective agreements mainly play a role in the regulation of *collective* dismissals, ‘while constitutional and legislative provisions on the protection of human rights and protection against unfair labour practices provide protection in case of individual dismissals’ (ibid.: 17).

The second issue focuses on rule of law. ‘It is widely known that in at least some economic sectors and geographical areas within Southern Europe legislated labour regulation is widely ignored’ (Crouch et al. 1999: 36). Indeed, there are huge differences concerning rule of law among OECD countries. Using the indicators for rule of law in 2005 in World Bank’s Governance Indicators Data Set, Italy can be found on place 75 among 208 countries, between Lithuania and Bhutan. Samek Lodovici (2000: 32) argues in a similar way, but more forcefully: ‘Comparisons of regulatory regimes, in order to derive information on the level of flexibility in the functioning of the labour market, should consider their coverage, the role of legislation versus collective agreements, judicial interpretations, industrial relations systems, and current practice.’ Boeri and Jimeno (2005) add on the point of coverage. They argue that measurement problems often stem from substantial within-country variation in enforcement of regulations. In the case of Italy, if a firm has fewer than 15 employees, it meets fewer restrictions on firing than a firm with more than 15 employees (see also Garibaldi et al. 2004). While a reform in 1990 tightened the regulations of individual dismissals, firms below the threshold still face fewer restrictions.

The OECD has taken this critique seriously. In their 2004 update they tried to incorporate aspects of contractual provisions and judicial practice. But as they admit: ‘Given that collective agreements and courts’ decisions often refer to a wide range of rules set on a case-by-case basis, their role is likely to be somewhat understated in the information presented here’ (OECD 2004: 64). However, the OECD does not clearly outline when and to what extent they incorporated these elements. This leads to another problem: subjectivity. As Addison and Teixeira (2003: 91) write in their detailed discussion of the OECD indicator of employment protection legislation: ‘There is an obvious problem of subjectivity in the construction of the indices. This is reflected in the implicit weighting scheme, the inherent bluntness of ordinal rather than cardinal measures, the difficulty of attributing scores on the basis of legal provisions that may be applied differently in practice (possibly varying in the severity with the stage of the [economic] cycle) that involve different levels of penalties and that may be subordinate to collective bargaining agreements. (Statistics on the latter are, of course, even more difficult to assemble).’

The difference between legislation and current practice has already been subject to empirical research. Ichino et al. (2003) show that judges are biased by labour market conditions. During economic downturns they rule more in favour of employees, thereby raising the firing costs for employers. The general role of courts has been also investigated. Bertola et al. (1999) highlight the role of judicial enforcement. They gathered data for 13 countries, but their comparability has to be questioned: different competent bodies on different levels, different types of dismissals, different provisions invoked, etc. Reading their report one ends up wondering if there is anything that can be proven with these data. Additionally, court decisions may mainly play a threatening role (OECD 2004: 66). In fact, in the example of a big Italian bank used by Ichino et al. (2003), out of 1862 dismissals only 86 (4.6 per cent) ended up in court, where 80 per cent of these firings were confirmed. But how can a threatening role be comparatively assessed? Finally, the courts’ decisions seem to play a role in countries where basically no legal protection exists such as the United States of America (Mendelsohn 1990; Krueger 1991; Büchtemann & Walwei 1996).

The choice of the weighting scheme of the OECD’s indicator (see Emmenegger 2008, 2009) is similarly problematic. I take issue with three decisions. First, the regulation of individual dismissals of regular workers consists of three equally weighted components. The OECD does not offer a theoretical explanation for this. Bertola et al. (1999) disaggregated the indicator and tested the three components separately. They found that only the component ‘difficulty of dismissal’ is significantly related to the percentage of ‘currently non-employed who left their job due to a layoff’ (ibid.: 16) and the unemployed with tenure shorter than one month as a percentage of total employment. See Emerson (1988) for a similar observation. Second, to calculate the indicator for the regulation of temporary contracts, the OECD uses an average of the sub-indicators for the regulation of fixed-term contracts and the regulation of temporary work agencies. This coding does not take into account that the two are substitutable (for some preliminary evidence see OECD 2002: 134). For the employer it does not matter whether a worker is hired on the basis of fixed-term contracts or from temporary work agencies. As a consequence, it would be reasonable to take the minimum of these two indicators to calculate the indicator for the regulation of temporary contracts. Finally, the equal weighting of the indicators for the regulation of individual dismissals and temporary employment is also questionable. Temporary workers have always been a minority (OECD 2002: 135). In some countries, they never got beyond ten per cent of dependent employment. Even in countries like Portugal and Spain, where temporary employment is most prominent, regular workers were always the clear majority. Moreover, the indicator for the regulation of temporary employment exhibits much more variation. In certain countries, this could lead to a serious misinterpretation of labour market regulation and of regulatory change.

To address some of these issues I adjust some of the weightings employed by the OECD. First, instead of using equal weights for the two level 2 indicators for temporary contracts I use the minimum of the two. Second, instead of using equal weights for the three level 2 indicators for the regulation of regular contracts, I increase the weight of the indicator ‘difficulty of dismissal’ (from  $\frac{1}{3}$  to  $\frac{1}{2}$ ) and decrease the weight of the other two indicators (procedural inconveniences, and notice period and severance pay for non-fault dismissals) accordingly (from  $\frac{1}{3}$  to  $\frac{1}{4}$ ). Finally, instead of using equal weights for the two level 3 indicators for the overall regulation of employment, I weight the regulation of regular contracts  $\frac{3}{4}$  and the regulation of temporary work  $\frac{1}{4}$ . These weights are based on data on the contributions of temporary and permanent jobs to total employment growth (OECD 2002: 135). Note that, despite these changes, the bivariate correlation between the original and the adjusted indicator is still  $r = 0.96$ .

While these minor adjustments can be considered an improvement, there are still many open questions with regard to the indicator. As a consequence, to calibrate the fuzzy-set scores I do not utilise the direct method (Ragin 2008), which tries to exploit the full amount of variation in the indicator. Instead, I rely on a more conservative approach and develop a fuzzy-set score that distinguishes eight different states. Moreover, I try to introduce additional information such as the regulation of collective dismissals (OECD 2004: 117), company-based protection (Estevez-Abe et al. 2001: 165) and collective bargaining coverage (Visser 2003: 402; Ebbinghaus & Kittel 2006: 230). All data and the fuzzy-set scores of the outcome are displayed in Table A1.

The starting point is the employment protection legislation indicator by the OECD (2004), averaged over the time period 1985 to 2003. This is by far the most important determinant of my fuzzy-set score (column 2). Only one country gets a fuzzy-set score of 0: the United States of America. This is to respect the exceptional status of the USA and its 'employment at will'-doctrine. In fact, the USA does not exhibit any legal restrictions on hiring and firing. Australia, Canada, New Zealand and the United Kingdom are coded 0.14. This may be a little bit surprising in the case of New Zealand since its employment protection legislation indicator value is comparatively high. However, New Zealand has by far the lowest level of regulation of collective dismissals, hardly any company-based protection and low collective bargaining coverage. The next group (coded 0.29) consists of Denmark, Ireland and Switzerland. These countries have slightly higher levels of employment protection legislation and in the case of Denmark and Switzerland a higher level of company-based protection. It is debatable whether Ireland belongs in this group, though. The level of protection is comparatively low in Ireland. However, note that a code conversion in the case of Ireland does not change the below presented results.

The crossover point is between Finland and Belgium. I code Finland as more out of than in the set of countries with high levels of job security regulations (0.43) while Belgium is coded as more in than out of the set (0.57). Vartiainen (1998: 34) argues that the Finnish labour market is not particularly regulated. Moreover, Finnish managers do not consider job security regulations to be a problem (Finnish Labour Market Institute for Economic Research/ECOTEC Research and Consulting Ltd. 1997). The regulation of collective dismissals is relatively low, but bargaining coverage is high. The indicator for company-based protection is 2 out of 3. But, Young (2003: 39) shows that job turnover is relatively high in Finland. Finally, Belot and van Ours (2001, 2004) also code the Finnish labour market as relatively flexible. By contrast, Belgium has very strict regulations of collective dismissals and an equally high level of collective bargaining coverage and company-based protection. Moreover, the Belgian labour market has been mostly described as rather rigid (Emerson 1988; Bertola 1990: 853; Blank 1993: 165; Grubb & Wells 1993: 33-34; Jahn 2002: 72) while Sels and Hootegem (2001) consider the Dutch and the Belgian labour markets to be quite similar in terms of regulation. However, note that a code conversion in the case of Belgium (from 0.57 to 0.43) does not change the results presented below. The case of Finland will be addressed in the empirical analysis. Austria, France and the Netherlands are coded as 0.71 while Italy, Norway and Sweden are coded as 0.86. Finally, both Spain and Portugal are given the fuzzy-set score 1. There are two reasons for this. First, Bover et al. (2000) show that the Spanish and Portuguese labour markets are equally rigid. Second, I want to avoid having the results be dominated by extreme cases such as Portugal. This strategy is often referred to as 'winsorising' (Ragin 1994: 330-31).

**Table A1: Calibration of the outcome 'job security regulations'**

Country	Employment protection legislation, 1985-2003	Collective dismissals protection, 1998-2003	Company-based protection, early 1990s	Collective bargaining coverage, 1980-2000	Fuzzy-set score
Australia	1.00	2.9	1	82.50	0.14
Austria	2.60	3.3	3	99.00	0.71
Belgium	2.01	4.1	2	90.00	0.57
Canada	1.12	2.9	1	36.50	0.14
Denmark	1.42	3.9	2	71.50	0.29
Finland	1.85	2.6	2	95.00	0.43
France	2.60	2.1	2	91.00	0.71
Germany	2.80	3.7	3	75.50	0.86
Ireland	1.28	2.4	1	40.00	0.29
Italy	2.68	4.9	2	83.50	0.86
Netherlands	2.60	3.0	2	82.50	0.71
New Zealand	1.33	0.4	1	36.00	0.14
Norway	2.70	2.9	2	70.00	0.86
Portugal	4.01	3.6	-	70.50	1.00
Spain	3.09	3.1	-	74.00	1.00
Sweden	2.79	4.5	3	87.50	0.86
Switzerland	1.12	3.9	2	45.00	0.29
United Kingdom	0.71	2.9	1	50.00	0.14
USA	0.19	2.9	1	18.00	0.00

To control the quality of the calibration, I compare the fuzzy-set score for job security regulations with data on job tenure. Crouch et al. (1999: 37) argue that job tenure can be used as an alternative indicator for job security regulations (see also Auer et al. 2005: 319; Pontusson 2005: 117; Storm 2007: 6). Table A2 shows the regressions of average years in a specific firm in 1995/1996, taken from Crouch et al. (1999: 37), on the fuzzy-set score for job security regulations and indicators for judicial formalism (Djankov et al. 2003), for rule of law (World Bank 2007) and a dummy variable for Denmark.

**Table A2: Job tenure and job security regulations (fuzzy-set scores)**

Dependent variable:	Job tenure (average stay in a specific firm in years)		
	(1)	(2)	(3)
Fuzzy-set score 'job security regulations'	3.239 *** (3.95)	2.993 ** (3.35)	3.674 * (2.69)
Denmark (dummy variable)	-0.651 (-0.58)	-	-
Rule of Law	-	-0.027 (-0.83)	-
Judicial formalism	-	-	-0.160 (-0.32)
Constant	7.612 *** (14.59)	10.129 ** (3.18)	7.349 *** (9.73)
Adjusted R <sup>2</sup>	0.49	0.50	0.48
N	17	17	17

**Notes:** t-value in parentheses. \*\*\* p < 0.001, \*\* p < 0.01, \* p < 0.05. No data on job tenure available for New Zealand and Norway.

In all three models, the fuzzy-set score for job security regulations is clearly significantly different from zero. In contrast, neither the dummy for Denmark, nor the indicators for judicial formalism and rule of law are significantly different from zero. The explained variance (adjusted  $R^2$ ) is reasonably high. As a consequence, I am confident that my calibration is adequate.

#### *Condition I: denomination (R)*

This fuzzy-set score is based on a country's denominational composition in the early 20<sup>th</sup> century. This is necessary to grasp which denominations have dominated politics in these countries since a country's contemporary denominational composition could be misleading. For instance, data on the denominational composition of Switzerland in the mid-1990s show that Catholics outnumber the Reformed Protestants (Barrett et al. 2001: 714). However, it would be grossly misleading to classify Switzerland as a predominantly Catholic country. Swiss politics has been dominated by Reformed Protestant parties (Kriesi 1980), which corresponds to the denominational composition in the early 20<sup>th</sup> century. Back then, Reformed Protestants clearly outnumbered Catholics. The case is similar for countries like the USA or the Netherlands. Historically, most countries have been composed of one dominant denomination (Austria, Belgium, Denmark, Finland, France, Ireland, Italy, New Zealand, Norway, Portugal, Spain, Sweden, the United Kingdom and the United States) or one dominant denomination combined with a strong Catholic minority (Australia, Canada, Germany, the Netherlands and Switzerland).

Esping-Andersen's (1996, 1999) argument focuses on the historically dominant denomination. He argues that Catholic social teaching is more supportive of job security regulations than Protestant teachings. As discussed above, a point can be made that Reformed Protestants are more anti-statist than Lutheran Protestants (Heidenheimer 1983; Kaufmann 1988; Manow 2002; Kahl 2005). Furthermore, my calibration should take the role of strong Catholic minorities into account. Finally, I prefer to use an even number of different scores to make sure that no country is coded 0.5, i.e. on the crossover point. Data on the denominational composition in the early 20<sup>th</sup> century are taken from Barrett et al. (2001).

Predominantly Reformed Protestant countries such as New Zealand, the United Kingdom and the United States are coded 0. Reformed Protestant countries with strong and influential Catholic minorities such as Australia, Canada, the Netherlands and Switzerland are coded 0.2. The Scandinavian countries and Finland, which are all predominantly Lutheran Protestant, are coded 0.4. Due to its strong Catholic minority along a Lutheran Protestant majority, Germany is coded 0.6. Finally, Catholic countries such as Austria, Belgium, France, Ireland, Italy, Portugal and Spain are coded 1. Note that I do not assign the score 0.8 to any country. This is to respect that Esping-Andersen's argument focuses on Catholicism. As a consequence, no predominantly non-Catholic country except Germany has been assigned a score above the crossover point (0.5). The German denominational composition, a Lutheran Protestant majority with a strong Catholic minority, is rather unusual. I argue that this combination of interventionist Lutheranism (Kaufmann 1988) and Catholicism can be expected to lead to high levels of job security regulations.

#### *Condition II: strength of religious parties (P)*

The fuzzy-set score for the strength of religious parties in the period 1949 to 1999 is calibrated using an additive indicator (see Table A3). The indicator is influenced by Minkenberg (2002: 241), though not identical with his own indicator, and is based on five criteria. The first criterion is whether a religious party has participated in at least one election in the time period of interest (one point). This has been coded using data from Lane et al. (1997). Additional data were provided by Hartmann (1978), Herzog (1978ab), Murphy (1978), Jacobs (1989), Tanenbaum (2001) and Swank (2006). All considered parties are listed in the footnote of Table A3.

The second criterion is whether the party programme of *at least one* of these religious parties supports traditional values (one point). This has been measured on the basis of the Party Manifesto Project (PMP) data set (Budge et al. 2001). Two indicators have been used: PER603 (traditional morality: positive) and PER604 (traditional morality: negative). Religious parties have been coded as supporting traditional values if indicator PER603 minus indicator PER604 is bigger than two. Here, as in the following, scores have been assigned on the basis of gaps in the raw data as well as qualitative case descriptions (see below). The Irish Fine Gael (0.27) and the Austrian Österreichische Volkspartei (1.29) are both coded as not supporting traditional values. In contrast, I coded the Portuguese Partido do Centro Democrático Social (2.03) as supporting traditional values. Admittedly, this is a close-run decision. My coding is based on three factors. First, there is reason to believe that the PMP data are misleading. In the PMP data set, the Partido do Centro Democrático Social is classified as social democratic (Tanenbaum 2001: 209). In contrast, Herzog (1978a: 447-50), Jacobs (1989: 300-303), Lane et al. (1997: 144) and Swank (2006) consider this party to be Christian democratic. Furthermore, Herzog (1978a: 447-

50) and Jacobs (1989: 300-303) argue that the Partido do Centro Democrático Social is characterised by a very religious and conservative political programme. Second, two further Portuguese parties, whose classification in the PMP data set in terms of party family is not fully clear, support traditional values. These parties are the Partido Popular Monárquico (2.72) and the Partido de Solidariedade Nacional (3.31). Finally, the second clear case of a Portuguese Christian democratic party, the Partido da Democracia Cristã, is not included in the PMP data set.

The third criterion is whether these religious parties have participated in governments for at least 17 years in the time period of interest (one point). 17 years correspond to one third of the time period under consideration (1949 to 1999). Data has been taken from Auffermann (2003: 202), Barrios (2003: 620), Elvert (2003: 271), Gross and Rothholz (2003: 142), Ismayr (2003: 457), Jahn (2003: 99), Kempf (2003: 308), Lepszy (2003: 357), Linder (2003: 504), Manow and Palier (2008: 160-61), Merkel and Stiehl (2003: 662), Nannestad (2003: 67), Pelinka (2003: 529), Trautmann and Ulrich (2003: 564) and Woyke (2003: 399).

The fourth criterion is whether the denominational cleavage is electorally salient (one point). The denominational cleavage has been coded as significant if the average level of denominational-based voting, measured using Cramer's V correlations, is bigger than 0.25 (see Minkenberg [2002: 241] for an identical operationalisation). Data has been taken from Dalton (1996: 180; 2002: 158; 2006: 161). However, Dalton's analysis does not incorporate Portugal. However, Calvo et al. (2006) note that denominational cleavage is not electorally salient in Portugal. As a consequence, I coded Portugal zero.

The fifth criterion is whether these religious parties were electorally successful in the period 1945 to 1999 (two points). The electoral strength of all religious parties combined in one country has been used. Countries have been coded 1 if the average electoral strength is above 10 per cent (relevant but not dominant party) and 2 if the average electoral strength is above 30 per cent (very strong party). Data has been taken from Mackie and Rose (1974), Jacobs (1989), Barrios (2003), Jahn (2003), Merkel and Stiehl (2003), Armingeon et al. (2006) and the website of the Swiss parliament (URL: <http://www.parlament.ch/homepage/in-statistiken-tabellen.htm> [access 1.3.2007]).

The raw data, the additive indicator and the fuzzy-set score are presented in Table A3. As can be seen, no country scores only one point (see the additive indicator in column 7). This is because party programmes of religious parties almost always highlight traditional values. Exceptions are Austria (ÖVP) and Ireland (Fine Gael). However, in both countries these religious parties are electorally successful (see columns 4 and 6). To calibrate the fuzzy-set score for the strength of religious parties, I subtract one point per country from the additive indicator except in those cases in which the additive indicator is already zero. This new indicator can be subsequently transformed into a fuzzy-set score with six different values (see column 8). The fuzzy-set score is zero for Australia, Canada, New Zealand, the United Kingdom and the United States, 0.2 for France, Portugal and Sweden, 0.4 for Denmark, Finland and Ireland, 0.6 for Norway and Spain, 0.8 for Austria, Germany and Switzerland and, finally, 1 for Belgium, Italy and the Netherlands.

**Table A3: Calibration of the condition 'strength of religious parties'**

Country	Religious parties	Traditional values	Government participation (years)	Salient cleavage	Electoral strength (per cent)	Additive indicator	Fuzzy-set score
Australia	No	-	-	0.10	0.00	0	0.0
Austria	Yes	1.29	36	0.36	41.67	5	0.8
Belgium	Yes	2.11-5.06	48	0.32	34.34	6	1.0
Canada	No	-	-	0.16	0.00	0	0.0
Denmark	Yes	19.69	9	0.29	1.28	3	0.4
Finland	Yes	28.46	0	0.29	1.72	3	0.4
France	Yes	3.15-4.24	11	0.19	6.61	2	0.2
Germany	Yes	2.53-9.35	38	0.19	44.68	5	0.8
Ireland	Yes	0.27	25	0.20	29.91	3	0.4
Italy	Yes	4.20	49	0.25	35.34	6	1.0
Netherlands	Yes	1.77-9.48	101	0.41	39.05	6	1.0
New Zealand	No	-	-	0.21	0.00	0	0.0
Norway	Yes	15.19	20	0.29	9.26	4	0.6
Portugal	Yes	2.03	3	-	7.39	2	0.2
Spain	Yes	0.36-3.18	6	0.27	16.07	4	0.6
Sweden	Yes	8.40	5	0.23	1.97	2	0.2
Switzerland	Yes	4.74-11.70	56	0.31	22.63	5	0.8
United Kingdom	No	-	-	0.13	0.00	0	0.0
USA	No	-	-	0.11	0.00	0	0.0

**Note:** Religious parties in Austria: Österreichische Volkspartei; Belgium: Parti Social Chrétien/Christelijke Volkspartij; Denmark: Kristeligt Folkeparti; Finland: Suomen Kristillinen Liitto; France: Mouvement Républicain Populaire, Centre des Démocrates Sociaux, Mouvement Réformateur, Centre du Progrès et de la Démocratie Moderne; Germany: Christlich Demokratische Union, Christlich-soziale Union, Deutsche Zentrumspartei; Ireland: Fine Gael. Italy: Democrazia Cristiana, Partiti Popolari Italiana, Centro Cristiano Democratico, Patto per l'Italia; Netherlands: Christen-Democratisch Appèl, Katholieke Volkspartij, Anti-Revolutionaire Partij, Christelij-Historische Unie; Norway: Kristelig Folkeparti; Portugal: Partido do Centro Democratico Social, Partido da Democracia Crista; Spain: Partido Democrata Popular, Convergencia i Unio, Centro Democratico y Social, Union de Centro Democratico; Sweden: Kristdemokratiska Samhällspartiet; Switzerland: Christlichdemokratische Volkspartei, Christlich-soziale Partei, Evangelische Volkspartei. Note that displayed values incorporate all religious parties covered by the respective data sets. For instance, more than one religious party can be simultaneously in government.

### Condition III: strength of the labour movement (L)

The fuzzy-set score for the strength of the labour movement is calibrated using data on the electoral strength of left-wing parties and the strength of the trade union movement. The latter is measured using data on collective bargaining coverage, trade union density and wage bargaining centralisation (Pontusson 1992: 7-8; Garrett & Way 1999: 420; Anderson & Meyer 2003: 27). Since job security regulations are mostly the result of legislation, I weight the strength of left-wing parties slightly higher than the strength of the labour movement (ratio 4:3). The raw data and the fuzzy-set score are displayed in Table A4. Data on the electoral strength of left-wing parties in the time period 1960 to 2000 has been taken from Armingeon et al. (2006). Data on collective bargaining coverage and trade union density in the period 1980 to 2000 are from Roche et al. (2000: 346), Visser (2003: 402), Ebbinghaus and Kittel (2006: 230) as well as EIROOnline (URL: [http://www.eurofound.europa.eu/eiro/country/ireland\\_4.html](http://www.eurofound.europa.eu/eiro/country/ireland_4.html) [access 7.8.2007]), while the indicator of wage bargaining centralisation for the period 1970 to 1998 is from Traxler et al. (2001: 114).

The sub-indicator for the partisan strength of the labour movement has been coded using the share of cabinet posts obtained by left-wing parties in the period 1960 to 2000. Countries with average shares between 0 and 15 have been coded as 0 (Canada, Ireland, USA), with average shares between 16 and 30 as 1 (France, Italy, Netherlands, New Zealand, Portugal, Switzerland), with average shares between 31 and 45 as 2 (Australia, Belgium, Finland, Germany, United Kingdom), with average shares between 46 and 60 as 3 (Austria, Denmark, Spain) and with average shares above 60 as 4 (Norway, Sweden). Moreover, I include a control for electorally strong left-wing parties that are underrepresented in government to compensate for the otherwise exclusive focus on the government composition. I assign an additional point to the indicator if the difference between the electoral strength, measured in percentage of total votes, and the share of cabinet seats divided through twice the

share of cabinet seats of the strongest left-wing parties in the sample (the Swedish left-wing parties with an average of 77.2 per cent) is above 0.10 (Canada, France, Italy, New Zealand, Portugal). Thus, an additional point is assigned when the percentage of total votes is 14.4 per cent higher than the share of cabinet seats. In one case, this coding rule leads to a tight decision. The Netherlands does not get an additional point despite a discrepancy of 13.55 per cent between percentage of votes and share of cabinet seats. However, note that the fuzzy-set score 'strength of the labour movement' for the Netherlands remains below the crossover point (0.5) even if the Netherlands is assigned an additional point. As a consequence, this coding decision does not affect the results of the fsQCA analysis.

The sub-indicator for trade union strength is based on collective bargaining coverage, trade union density and the centralisation of wage bargaining. Countries have been assigned each time one point if collective bargaining coverage is above 70 per cent (Australia, Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden), trade union density is above 55 per cent (Denmark, Finland, Norway, Sweden) and the indicator for the centralisation of wage bargaining is equal or bigger than 0.25 (Australia, Denmark, Finland, Ireland, Italy, Norway, Spain, Sweden). Note that the indicator of Traxler et al. (2001) has been inverted to correspond to the other sub-indicators. Scores have been assigned on the basis of gaps in the raw data and case descriptions (e.g. Esping-Andersen 1985, 1990; Luebbert 1991; Bartolini 2000; Ebbinghaus & Visser 2000; Scharpf & Schmidt 2000ab; Huber & Stephens 2001; Traxler et al. 2001). In the case of trade union density, the code assigned to Norway (57 percent) could be questioned. All other countries that were assigned one point (Denmark, Finland and Sweden) are characterised by trade union density rates above 70 per cent. Confronted with a similar problem, Ebbinghaus and Kittel (2006: 230) code Norway as having neither a high nor a low trade union density rate. However, this solution is not practicable for my purposes. As a consequence, I follow Esping-Andersen (1985, 1990), Luebbert (1991), Huber and Stephens (2001) and others, and classify Norway as belonging to the Fenno-Scandinavian cluster. However, note that this coding does not affect the results of the fsQCA analysis since Norway would remain above the crossover point even if it would not be given one point for a high trade union density rate.

*Table A4: Calibration of the condition 'strength of the labour movement'*

Country	Left parties in % of total cabinet posts, 1960-2000	Percentage of total votes for left parties, 1960-2000	Collective bargaining coverage, 1980-2000	Trade union density, 1980-2000	Wage bargaining centralisation, 1970-1998	Fuzzy-set score
Australia	38.78	46.54	82.50	42.50	0.62	0.57
Austria	59.08	47.03	99.00	45.00	0.13	0.57
Belgium	31.59	33.79	90.00	52.00	0.12	0.43
Canada	0.00	15.52	36.50	36.00	0.08	0.14
Denmark	52.38	45.32	71.50	76.50	0.25	0.86
Finland	37.20	43.49	95.00	72.50	0.46	0.71
France	28.27	43.16	91.00	12.00	0.11	0.43
Germany	32.24	43.17	75.50	30.00	0.14	0.43
Ireland	10.92	14.56	40.00	45.00	0.91	0.14
Italy	25.64	42.38	83.50	40.50	0.49	0.57
Netherlands	19.98	33.53	82.50	26.50	0.14	0.29
New Zealand	27.54	45.30	36.00	37.00	0.11	0.29
Norway	64.58	46.40	70.00	57.00	0.45	1.00
Portugal	25.91	46.30	70.50	38.00	0.14	0.43
Spain	55.92	47.44	74.00	12.50	0.39	0.71
Sweden	77.20	51.21	87.50	84.00	0.29	1.00
Switzerland	28.57	26.60	45.00	25.50	0.13	0.14
United Kingdom	35.38	38.62	50.00	38.50	0.10	0.29
USA	0.00	0.00	18.00	15.00	0.08	0.00

The additive indicator has been standardised to range from zero to one. The raw data and the resulting fuzzy-set score are shown in Table A4. The following countries have been assigned fuzzy-set scores above the crossover point: Australia, Austria, Denmark, Finland, Italy, Norway, Spain and Sweden.

*Condition IV: number of institutional veto points (V)*

Indicators of institutional veto points are abundant (Huber et al. 1993; Tsebelis 1995; Colomer 1996; M. Schmidt 1996, 2000; Kaiser 1997, 1998; Lijphart 1999; Kittel & Obinger 2003; Swank 2002). Unfortunately, the composition of these indicators is very diverse. Only two characteristics of a political system are included in all of them: federalism and bicameralism (Kaiser 1998: 528; Fuchs 2000: 40). This may be unexpected in the case of presidentialism/parliamentarism. Presidentialism is according to Fuchs (2000: 41) the prototype of a system of separation of powers. However, this is contested by Tsebelis (2000, 2002). Note that the only clear case of presidentialism, the United States of America, is already coded as 1 (see below).

I follow a conservative strategy and take only bicameralism and federalism into account (see Kittel and Obinger (2003) for a similar strategy). Data is taken from Lijphart (1999: 189, 212) since he offers more finely-grained indicators of federalism (1 to 5) and bicameralism (1 to 4). To give equal weight to both indicators, I multiply the indicator of bicameralism by  $\frac{5}{4}$ . The raw data, the combined indicator as well as the fuzzy-set score are shown in Table A5. Fuzzy-set scores have been assigned by classifying the countries into four groups on the basis of gaps in the combined indicator (column 4) and in comparison to other existing indicators (see above). Countries with values of 4.13 (i.e. the United Kingdom's value on the combined indicator) and below have been coded 0 (Denmark, Finland, Ireland, New Zealand, Norway, Portugal, the United Kingdom). Countries with values between 4.50 and 5.05 have been coded 0.33 (France, Italy, Sweden). Countries with values between 6.75 and 7.00 have been coded 0.67 (Austria, Belgium, Netherlands, Spain). Finally, countries with values above 8.75 have been coded 1 (Australia, Canada, Germany, Switzerland, United States of America).

Comparing the fuzzy-set scores with the indicator of Colomer (1996) shows that the coding of Spain's federalism is controversial. The Spaniard Colomer assigns Spain the maximum value for 'decentralisation' on the basis of the proportion of public expenditure in the hands of regional governments (ibid.: 13). However, I stick to the coding of Lijphart (1999: 189) since the level of autonomy differs among the Spanish states, the decentralisation is an on-going phenomenon (and my focus is on the period 1960 to 2000), and the central state is still a powerful adversary to forces pushing for more decentralisation (Barrios 2003: 643).

**Table A5:** Calibration of the condition 'number of institutional veto points'

Country	Federalism, 1945-1996	Bicameralism, 1945-1996	Combined indicator	Fuzzy-set score
Australia	5	4	10.00	1.00
Austria	4.5	2	7.00	0.67
Belgium	3.1	3	6.85	0.67
Canada	5	3	8.75	1.00
Denmark	2	1.3	3.63	0.00
Finland	2	1	3.25	0.00
France	1.2	3	4.95	0.33
Germany	5	4	10.00	1.00
Ireland	1	2	3.50	0.00
Italy	1.3	3	5.05	0.33
Netherlands	3	3	6.75	0.67
New Zealand	1	1.1	2.38	0.00
Norway	2	1.5	3.88	0.00
Portugal	1	1	2.25	0.00
Spain	3	3	6.75	0.67
Sweden	2	2	4.50	0.33
Switzerland	5	4	10.00	1.00
United Kingdom	1	2.5	4.13	0.00
USA	5	4	10.00	1.00

*Condition V: state-society relationships (S)*

State-society relationships have been stabilised much earlier than 1945 (Whiteside & Salais 1998). Therefore, the fuzzy-set score for state-society relationships must go back further in time. However, it is very difficult to get good data for these years. As a compromise, in order to calibrate this fuzzy-set score I am relying mostly on data from 1920 to 1935, dependent on the available sources.

The fuzzy-set score for state-society relationships is inspired by Bartolini's (2000) indicator of *stateness*. He defines stateness as the extractive, regulative and repressive resources a state holds vis-à-vis society (ibid.: 314). Stateness is not identical to *statism*, which focuses state-society relationships. I refrain from using the classification of countries in the varieties of capitalism literature. A calibration based on a distinction between statist capitalist countries and the other countries might result in a tautology since high levels of job security regulations are part of some definitions of statist capitalist countries (e.g. V. Schmidt 2002; Amable 2003). By using stateness as an instrument for state-society relationship, this problem can be avoided. I argue that a high level of stateness is a necessary condition for a high level of statism. The state can only dominate state-society relationships if the state has sufficient resources to do so (see Lieberman [2002] for other examples of such a calibration of state-society relationships).

My calibration of state-society relationships combines two indicators of resource extraction and two indicators of repressive means. The four indicators will be added using equal weights. Resource extraction is measured using data on general government expenditure in 1920 (Tanzi & Schuknecht 2000: 6-7) and fiscal centralisation in 1935 (Diaz-Cayeros 2004). Repressive means is measured using data on military personnel (Singer et al. 1972; Singer 1987) in the period 1920 to 1930 and the level of conflict during the institutionalisation of the industrial relations system (Armingeon 1994). The raw data and the fuzzy-set score are displayed in Table A6.

For Denmark, Finland and Portugal data on general government expenditure in 1920 is missing while for Austria, Belgium, the Netherlands and Spain only data on central government expenditure is available. Thus, the latter countries can be expected to have slightly higher values for general government expenditure than shown in Table A6. Due to bad data quality, I use a conservative coding strategy. I code Spain, Sweden and the United States of America as having very low levels of general government expenditure, Australia, Austria, Canada, Ireland, the Netherlands, Norway and Switzerland as having a medium level and Belgium, France, Germany, Italy, New Zealand, and the United Kingdom as having a high level of general government spending. Unfortunately, no data is available for Portugal. Flora et al. (1983: 262-63) provide data on general government taxes for Denmark and Finland, which is flipside of general government expenditures. Compared to other countries in the sample, Denmark exhibits a low level of general government taxes while Finland has a medium level. As a consequence, I code Denmark as having a low and Finland as having a medium level of general government expenditure.

Fiscal centralisation is the share of total taxes that is collected by the central government. Data are provided by Diaz-Cayeros (2004). No data for Portugal are available. Data on military personnel as a percentage of total population in the period 1920 to 1930 has been taken from the Correlates of War project, provided by Singer et al. (1972; Singer 1987). No data for the years 1920 and 1921 are available for Ireland and New Zealand. To make sure that this indicator is not dominated by the exceptional case Germany, I assign Germany the same value as France, which has the second highest value, in the calculation of the fuzzy-set score. This adjustment is normally referred to as 'winsorising' (Ragin 1994: 330-331). Finally, Armingeon (1994) provides the data on the institutionalisation of the industrial relations systems. An early and non-conflictual institutionalisation took place in Denmark, the Netherlands, Norway, Sweden and Switzerland (ibid.: 34-42). In Australia, Canada, France, Ireland, Italy New Zealand, United Kingdom and the United States of America the institutionalisation of the industrial relations systems was the result of a lengthy and conflictual reform process (ibid.: 43-57). In Austria, Belgium, Finland and Germany the institutionalisation took place after wars (ibid.: 58-63). Finally, Portugal and Spain experienced a very late institutionalisation (ibid.: 64-67).

Subsequently, these four indicators have been transformed to range from 0 to 1. The average score for each country ranges from 0.13 (United States of America) to 0.82 (Belgium). Due to data quality concerns, I use a simple fuzzy-set score that differentiates only four different states. The cut-off points between the different scores have been selected on the basis of gaps in the average of the standardised indicators. Australia, Canada, Denmark, the Netherlands, Norway, Sweden, Switzerland and the United States of America have been coded as having a very low level of statism. Ireland has been coded as having a low level of statism. Austria, Finland and New Zealand have been coded as having a high level of statism while Belgium, France, Germany, Italy, Portugal, Spain and the United Kingdom have been coded as having a very high level of statism.

The coding of the United Kingdom (very high level of statism) may be surprising. However, a quick look at the data in Table A6 reveals that the United Kingdom is characterised by high levels of general government

expenditure, fiscal centralisation and military personnel. Nevertheless, one should keep in mind that the United Kingdom has always been strongly influenced by liberalism, which counteracts the high levels of statism (Hall 1986).

**Table A6:** Calibration of the condition 'state-society relationships'

Country	General government expenditure (% GDP), about 1920	Fiscal centralisation, 1935	Military personnel (% of total population), 1920-1930	Development of the industrial relations system	Fuzzy-set score
Australia	19.3	51	0.12	1	0.00
Austria	14.7 <sup>a</sup>	87	0.39	2	0.67
Belgium	22.1 <sup>a</sup>	84	1.20	2	1.00
Canada	16.7	46	0.04	1	0.00
Denmark	-	60	0.40	0	0.00
Finland	-	53	0.92	2	0.67
France	27.6	71	1.42	1	1.00
Germany	25	49	3.49	2	1.00
Ireland	18.8	82	0.48	1	0.33
Italy	30.1	76	0.94	1	1.00
Netherlands	13.5 <sup>a</sup>	64	0.20	0	0.00
New Zealand	24.6	79	0.07	1	0.67
Norway	16	55	0.23	0	0.00
Portugal	-	-	0.68	3	1.00
Spain	8.3 <sup>a</sup>	97	0.77	3	1.00
Sweden	10.9	59	0.64	0	0.00
Switzerland	17	42	0.00	0	0.00
United Kingdom	26.2	80	0.81	1	1.00
USA	12.1	37	0.24	1	0.00

**Note:** <sup>a</sup> value only for central government.

#### *Condition VI: degree of non-market coordination in a production regime (C)*

The fuzzy-set score for the degree of non-market coordination in a production regime is inspired by Hicks and Kenworthy's (1998: 1641-44) indicator of economic cooperation. It is based on four different sub-indicators: (1) business centralisation/concentration, (2) wage coordination, (3) cooperation between government and interest groups and (4) neo-corporatism. Data are provided by Hicks and Kenworthy (1998), Kenworthy (2001, 2003), Hassel (2006) and Siaroff (1999). The raw data and the fuzzy-set score are shown in Table A7.

Hicks and Kenworthy differentiate three different levels of business centralisation/concentration: (1) strong business confederations (in Austria, Finland, Germany, Norway and Sweden), (2) central confederations with moderate authority (in Belgium, Denmark, France 1969-1980, Italy, the Netherlands and Switzerland) and (3) weak and fragmented business federations (in Australia, Canada, France 1960-68 and 1981-1994, Ireland, New Zealand, the United Kingdom and the United States of America). No data are provided for Portugal and Spain. Qualitative descriptions of the Spanish industrial relations system point to a medium level of business centralisation/concentration, especially after the foundation of the Confederación Española de Organizaciones Empresariales in 1977 (Martinez Lucio 1998: 433-34; van der Meer 2000: 577-78; Robinson 2002: 260; Royo 2002: 79). In contrast, Portuguese employers' associations are organised according to sectoral criteria, focus on single regions and are weakened by internal disputes (Naumann and Stoleroff 1996: 31-33; Barreto and Naumann 1998: 403-8). Thus, they are generally regarded as weak. Data on wage coordination for the period 1960 to 2000 has been provided by Kenworthy (2001). The indicator has been extended to Portugal and Spain for the period 1980 to 2000 by Hassel (2006: 82). The third sub-indicator, cooperation between government and interest groups, has again been developed and provided by Hicks and Kenworthy (1998). They differentiate three different levels of cooperation: (1) cooperative interaction between government and coordinated business and labour organisations (in Austria, Belgium, Denmark, Finland 1966-1989, France, Germany, the Netherlands,

Norway and Sweden), (2) moderate cooperation (in Finland 1960-65, Italy and Switzerland) and (3) relatively conflictual relationships (in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States of America). Again, no data are provided for Portugal and Spain. Qualitative descriptions of the Spanish industrial relations systems highlight attempts of social concertation after the transition to democracy, which was, however, quickly abandoned as soon as the trade union movement became weaker. Thereafter, industrial relations were mostly conflictual (Esenwein 1992: 414; van der Meer 2000: 573, 580; Martinez Lucio 2002: 266; Robinson 2002: 249; Royo 2002: 79). The relationship between the social partners is even more polarised in Portugal. The relationship between government and interest groups is relatively conflictual (Raby 1992: 364; Naumann & Stoloroff 1996: 25-26, 2000: 547; Barreto & Naumann 1998: 395-6, 403). As a consequence, I code the cooperation between government and interest groups in both cases as conflictual. Finally, corporatism has been measured using the Siaroff indicator (1999), averaged over the period 1970 to 1995. For Portugal and Spain, data are only available for 1990 and 1995.

As in the case of the fuzzy-set score for state-society relationships, I have transformed all four indicators to range from 0 to 1. The average score for each country ranges from 0.01 (Canada) to 0.99 (Norway). Due to data quality concerns, I have refrained from using a very finely-grained calibration. Instead, I differentiate four different scores to which countries have been assigned on the basis of gaps in the combined indicator. Australia, Canada, Ireland, New Zealand, Portugal, Spain the United Kingdom and the United States of America have been coded 0. France and Italy have been coded 0.33. Belgium, Denmark, the Netherlands and Switzerland have been coded 0.67. Finally, Austria, Finland, Germany, Norway and Sweden have been coded 1. Note that only so-called coordinated market economies (Hall & Soskice 2001) are coded as more in than out of the fuzzy-set 'high level of non-market coordination'. This stands in stark contrast to the indicator of Hall and Gingerich (2004), which indicates a higher level of coordination in the two 'mediterranean market economies' (state capitalist countries) France and Portugal than in the two 'coordinated market economies' (managed capitalist countries) Switzerland and the Netherlands.

**Table A7:** Calibration of the condition 'degree of non-market coordination in a production regime'

Country	Business centralisation/ concentration, 1960-1994	Wage coordination, 1960-2000	Cooperation between government and interest groups, 1960-1989	Integrated economies, 1970-1995	Fuzzy-set score
Australia	0.00	2.98	0.00	2.84	0.00
Austria	1.00	4.56	1.00	4.63	1.00
Belgium	0.50	4.20	1.00	3.91	0.67
Canada	0.00	1.29	0.00	1.72	0.00
Denmark	0.50	4.22	1.00	4.22	0.67
Finland	1.00	3.90	0.93	4.09	1.00
France	0.17	2.05	1.00	2.06	0.33
Germany	1.00	4.00	1.00	4.13	1.00
Ireland	0.00	3.00	0.00	2.38	0.00
Italy	0.50	2.61	0.50	2.47	0.33
Netherlands	0.50	4.24	1.00	4.03	0.67
New Zealand	0.00	2.37	0.00	2.31	0.00
Norway	1.00	4.76	1.00	4.63	1.00
Portugal	0.00 <sup>a</sup>	3.95	0.00 <sup>a</sup>	2.38	0.00
Spain	0.50 <sup>a</sup>	3.00	0.00 <sup>a</sup>	1.94	0.00
Sweden	1.00	4.34	1.00	4.69	1.00
Switzerland	0.50	4.00	0.50	4.13	0.67
United Kingdom	0.00	1.90	0.00	1.97	0.00
USA	0.00	1.20	0.00	1.94	0.00

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## Endnotes

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<sup>1</sup> The analysis is based on 19 cases (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States of America). Not included are Greece and Japan, since Esping-Andersen (1996, 1999) does not discuss Greek Orthodox and non-Christian countries, as well as small countries like Iceland and Luxembourg (data availability).

<sup>2</sup> The labels are taken from Schmidt (2003).

<sup>3</sup> Classification of countries into different varieties of capitalism might be influenced by the presence of job security regulations. Consequently, I refrain from using such a calibration in the empirical part. Instead, I use a fuzzy-set score inspired by the concept of stateness, which Bartolini (2000: 314) defines as the extractive, regulative and repressive resources a state holds vis-à-vis society. I argue that high levels of stateness are a necessary condition for high levels of statism (that is, the practice of giving a powerful and centralised government control over social and economic matters) as the state can only dominate state-society relationships if it has sufficient resources to do so.

<sup>4</sup> In Portugal and Spain it was rather the conflict between the ancient regime and the modernising forces that led to the development of dominant states, while the Catholic Church sided with the ancient regime.

<sup>5</sup> These deregulatory reforms have not always included job security regulations, e.g. Ireland (Glyn 2005: 204).

<sup>6</sup> This combination also covers the Irish case. However, since Ireland is characterised by comparatively low levels of job security regulations, as the combination correctly predicts, I do not discuss the Irish case here in further detail.

<sup>7</sup> The story is very similar for Finland although all four resulting combinations of conditions cover Finland. Dismissals used to be regulated by collective agreements (Emerson 1988:

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809). However, in 1970 a left government passed an act concerning employment protection (Sigeman 2002: 259).

<sup>8</sup> Despite low levels of statism, the labour market parties were not able to regulate the labour market by means of ‘basic agreements’ (as compared to the Nordic managed capitalist countries). This inability can be explained by the extreme fragmentation of the trade union movement along ideological and confessional lines (Luebbert 1991: 143-144).