Accommodation or Extraction?

Employers, the State, and the Joint Production of Active Labor Market Policy

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Abstract

Conventional wisdom among comparative political economists maintains that employer participation in policy-making and policy implementation, fostered by corporatist arrangements, is crucial for successfully expanding active labor market policy (ALMP). This article introduces a transaction-oriented theory of corporatism, partisanship and ALMP, which challenges the dominant view by arguing that corporatist arrangements do not affect the overall scope of ALMP but instead facilitate a particular type of ALMP programs; namely, those whose production requires joint participation by employers and the state and that involve a transfer of public resources to employers. By facilitating such programs— which center-right parties tend to prefer over programs produced unilaterally by the state— the presence of corporatist arrangements also shift the focus of partisan conflict over ALMP from the *level* to the *structure* of public expenditure. Evidence for these claims is provided from time-series–cross-sectional analyses of 21 OECD countries since the mid-1980s.

Keywords: active labor market policy, corporatism, coordination, employers, partisan politics

Recent decades have seen a growing emphasis on how welfare states can be reformed to promote higher employment, and thus active labor market policy (ALMP) has become a major topic of interest among policymakers and researchers alike.[1] Looking back upon the past decades, one can see that the comparative scholars that have studied these trends—including Mucciaroni, King and Rothstein, Swenson, Martin and Swank, Pontusson, Nelson, and others—by now appear to have come to an overall agreement that the involvement of employers, fostered by centralized employer organizations and corporatist arrangements of interest intermediation, is crucial for the successful expansion of ALMP programs[2] and for their efficient implementation.[3] As spelled out most clearly by Martin and Swank, this account implies that as the forces of globalization and deindustrialization put growing pressure on employers' willingness to assume additional social costs, the survival of ALMP—and indeed of egalitarian social protection more broadly—increasingly hinges on the capacity of employers' organizations and the state to successfully bring together employers and socialize them into understanding the societal benefits of these policies.[4]

This article advances an alternative, transaction-oriented theory about the role of employers and corporatism in ALMP, which challenges the prevailing view on two levels and holds implications for our understanding of the political power dynamics in contemporary capitalism as well as for the prospects of egalitarian social protection in the post-industrial era. First, the new theory contends that while the production of certain types of ALMP programs—notably employment subsidies and on-the-job training programs—requires the *joint* involvement of employers and the state, the state can *unilaterally* produce other types of programs such as institutional labor market training, job search assistance programs and public job creation programs. Therefore, the size of the ALMP portfolio as a whole does not necessarily depend on corporatist arrangements that facilitate employer participation. Second,

taking into account both the *structural*[5] and the *functional*[6] aspects of corporatism, the theory

holds that when employers do participate in ALMP production, they do so primarily because

it entails a political exchange that involves an extraction of resources from the state, not

because they have been socialized by collective actors into understanding the virtues of

ALMP. Thus, corporatist arrangements primarily matter for ALMP because they pave the

way for governments that are inclined to run programs that to some extent benefit employers.

Thereby, it is argued, such arrangements also change the nature of partisan conflict in the
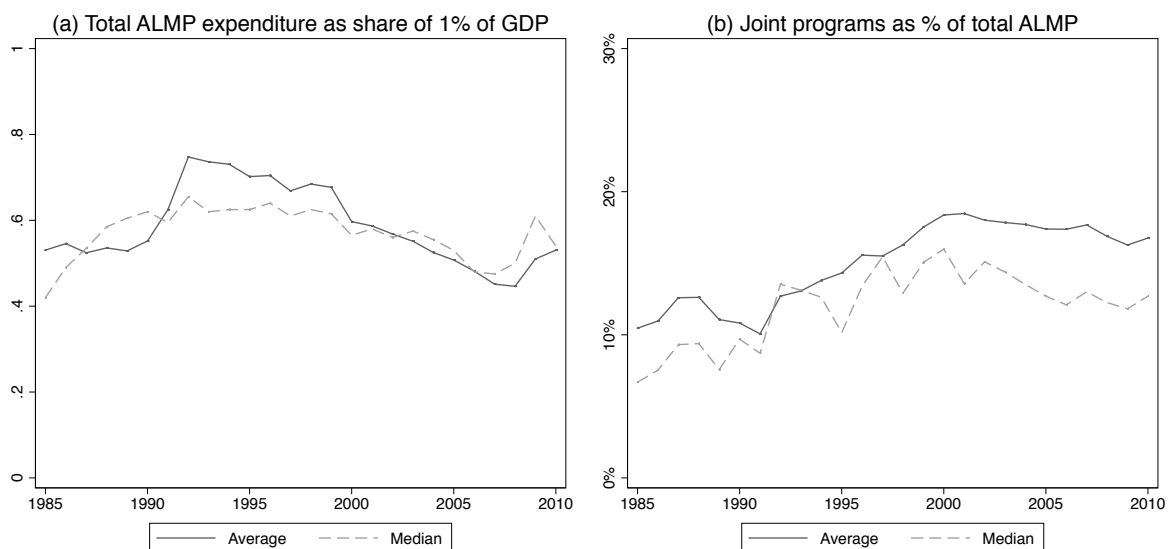
policy field.

Figure 1. ALMP expenditure in 16 OECD countries, 1985-2010.
Note: Unweighted average of Australia, Austria, Belgium, Canada, Finland, France,
Germany, Ireland, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden,
Switzerland, and United States. For a definition of Joint programs, see the text.
Source: OECD, *LMP Database.*[7]

Compared to the mainstream account, the revised understanding of ALMP offered in this

article is more compatible with the empirical trends presented in Figure 1. The panel on the

left plots the trends in the average and median ALMP expenditures among the 16 OECD

countries for which ALMP data are available annually from 1985 to 2010. Although the

average and the median show slightly different trends, neither indicates that overall ALMP expenditure was lower at the end of the period than it was in the 1980s. The panel on the right shows that the share of total ALMP expenditure devoted to those programs requiring joint input from the state and an employer—which I henceforth refer to as *Joint programs*—has seen an upward trend during the period at the expense of *Unilateral programs*, which the government produces independently. Between 1985 and 2010, the average share devoted to Joint programs increased by 60 percent, from 10.4 to 16.7 percent, and the median almost doubled from 6.7 to 12.7 percent.

These two developments are hard to square with the conventional understanding that macro-trends in industrialization and globalization have restrained employers' willingness to engage in social policy-making over recent decades and now pose an inescapable threat to the continuation of ALMP.

The article is structured as follows. The following section outlines the theoretical argument summarized above, derives a number of hypotheses, and provides two illustrative cases of ALMP reform. The subsequent section begins by introducing a set of time-series–cross-section data on ALMP expenditure, corporatism, and partisanship in 21 OECD countries over the past three decades. The hypotheses are then tested on these data. Previewing the results, the analyses show that on average, corporatism is positively related to expenditure on Joint programs—in absolute terms as well as in terms of their share of the ALMP portfolio—but is unrelated to total ALMP expenditure. Second, the results show that on average, governments in which center-right parties have at least some influence tend to spend more on Joint programs than on Unilateral programs, whereas the opposite is true for governments dominated by left-wing parties.

Third, bringing these two factors together, the analyses show that corporatist arrangements matter for ALMP development because they shift the focus of partisan conflict in the policy field. In low-corporatism environments, where the prospects of joint production are weak, center-right parties care less for ALMP than left-wing parties, for whom the mode of production is less salient. In such cases, the partisan conflict primarily concerns the *level* of public spending on ALMP. By contrast, when the presence of strong corporatist arrangements facilitates production of Joint programs, partisan conflict revolves more around the *structure* of spending, since center-right parties have a stronger preference for Joint over Unilateral programs. These findings buttress the understanding that the production of Joint programs requires both employers and a government that caters to employer interests and is willing to commit the necessary resources to this end.

The final section spells out the implications of the results for a number of ongoing discussions among comparative scholars. The main conclusion is that previous accounts have overstated and to some extent misinterpreted the role of employers and corporatism in ALMP development and that the various factors commonly described as pushing for a convergence of ALMP among OECD countries in recent decades have not rendered the traditional political explanations of social and labor market policy obsolete. Indeed, rather than having lost their relevance in contemporary capitalism, distributional struggles between classed-based parties now extend into the domain of ALMP and find new expressions in the detailed deployment of public resources within the policy field.

Corporatism, partisanship, and ALMP: A transaction-oriented theory

Capabilities and action orientations of employers and the state

This section outlines a theoretical framework for analyzing the role of employers and

corporatist arrangements for ALMP development that builds on, yet crucially also departs from, the theories advanced in the existing literature referred to above. At the heart of this framework are two basic insights. First, using Scharpf's terminology, employers and the state are actors with different 'capabilities'—i.e., action resources that allow them to influence the outcome of ALMP programs—and different 'action orientations'—i.e., perceptions and preferences—with respect to ALMP.[8] Second, ALMP programs, as a product of their design, differ in terms of the capabilities required for their production.

Consider first the latter point. An explicit assumption underpinning the conventional wisdom is that "policy makers need coordinated employers [...] to implement postindustrial [ALMP] reforms".[9] This is certainly true for some types of ALMP programs, notably employment subsidy programs, apprenticeship programs and other similar programs partly or fully located at the workplace. These programs can only be produced to the extent that employers are willing to provide the required resources, i.e., employment opportunities or access to work facilities and supervision. Typically, in these types of programs, a client is assessed by a caseworker and referred to a suitable position with an employer, who agrees to take on that client in exchange for a transfer of resources from the state, typically cash payments or exemptions from obligatory social contributions. To again borrow the terminology from Scharpf's work on game theory, these types of programs involve *joint production*, meaning that the contribution of two actors is necessary to reach the desired outcome.[10] Joint production, in turn, requires buy-in from the employer as well as any necessary capabilities of the caseworker to impel the client to accept the position (e.g., trust, a credible threat of reduced cash benefits, or something equivalent).

Other programs, however, such as institutional training programs arranged at a school or a

training center, job search assistance programs, sheltered employment programs for the disabled, programs for direct job creation in the public sector, and start-up incentives, do not require employer involvement.[11] Various kinds of input from caseworkers at the Public Employment Service (PES), and sometimes sub-contracted service providers, are sufficient to provide these programs. Along these lines, we will hereafter distinguish between *Joint programs,* defined as programs whose production requires the joint capabilities of both an employer and the state, and *Unilateral programs*, whose production requires only the capabilities of the state.[12] This distinction underpins a conjecture, elaborated below, that the mode of production will, in turn, determine the extent to which a particular program is affected by the strength of corporatist arrangements.

What may be expected regarding the perceptions and preferences of employers with respect to these two categories of ALMP programs? Underpinning the conventional view is the assumption that social policies are costly to firms and that employers will therefore be hesitant to support or participate in the production of ALMP programs unless they are convinced to do so by an employers' organization or the state. However, such an assumption does not fully recognize the potential benefits that ALMP programs might bring to employers. As rightly noted by Martin and Swank,[13] employers that engage in the co-production of certain ALMP programs, such as on-the-job-training programs, risk having their trainees quickly poached by competing firms, to their own detriment. Nevertheless, for other types of employer-involving ALMP programs, there are clearly potential gains for employers.[14]

Apart from possible intangible benefits, such as an enhanced image of corporate social responsibility or improved union relations,[15] ALMP participation may entail substantial cost

reductions, especially for employers in labor-intensive industries. Employment subsidy programs, for instance, often reduce wage costs by as much as 60 percent or more, and there is evidence from Denmark that such programs are particularly likely to attract firms who have recently experienced a worsened economic situation.[16] Although workers who are eligible for employment subsidies are generally less productive than non-eligible workers, it seems fair to say that such programs do not necessarily represent an 'additional social cost' to the participating firm. This is especially true in cases where the employer has some say in which workers can participate and where the funding for these programs is reallocated from other ALMP programs rather than imposed on top of existing programs. This lack of social cost also likely explains why business groups in countries as different as the United States, Germany, and Sweden have advocated for or defended employment subsidy programs, particularly those in which employers are granted significant discretion.[17]

There is no denying that employers may stand to benefit from certain unilateral programs as well, such as institutional training programs that are designed to alleviate specific skill shortages, or job search programs that may increase overall labor supply. However, in relative terms, employers are more likely to prefer those programs in which they are involved because the benefits tend to be more certain, more tangible, and more immediate.

Consider next the action orientations of the state, which for our purposes can be limited to the decision-making body in charge of allocating resources to ALMP programs, typically the national government. Previous research has identified several reasons why governments may want to devote public resources to ALMP programs, many of which may appeal to governments of any type. Such reasons include, among others, managing structural and cyclical labor market pressures, alleviating labor shortages and mismatching, and reducing

reliance on other, more costly, social security programs.[18] However, the versatile nature of

ALMP programs opens up for potential conflict between governments with different party

compositions, not least regarding how to produce the programs. We will return to these

partisan conflicts below, but for now suffice it to say that governments of any type may have

sufficient incentives to produce ALMP programs, and that, all other things being equal, they

prefer to do so as cost-efficiently as possible.

Corporatist arrangements and joint production of ALMP

As previously noted, corporatist arrangements that facilitate coordination and negotiations

among employers, trade unions, and the government have repeatedly been identified as one

of the most important institutional features for the successful expansion and production of

ALMP among advanced democracies. Several of the mechanisms previously proposed in the

literature suggest that such arrangements have a positive effect on the *overall* support for

ALMP among employers. First, under corporatist arrangements, encompassing employer

organizations can internalize the positive externalities of ALMP and thus help employers

overcome limits to collective action and seek the public good. Second, sustained interaction

among social partners enhances mutual accommodation, which fosters employer support for

ALMP. Third, centralized wage bargaining produces wage compression, which motivates

employers to broadly support human-capital-augmenting ALMPs.[19]

These arguments rely on a particular understanding of corporatism as a structure of interest

representation—traceable to the work of Schmitter[20]—in which structural arrangements such

as encompassing, highly coordinated interest organizations and centralized wage bargaining

institutions assume central importance. By contrast, the argument outlined below incorporates

a second strand of corporatism research, commonly associated with Lehmbruch,[21] which

instead sees corporatism as an institutionalized pattern of policy-making and focuses on its *functional aspects*, that is, on the *political exchange* between organized interests and the state.[22] Taking into account both the structural and the functional aspects of corporatism, I argue, leads to a different set of expectations about how it matters for ALMP.

My argument essentially revolves around the transaction costs involved in joint ALMP production. In corporatist environments, characterized by sustained interaction between coordinated interest organizations and the state, employer organizations have a certain ability to affect their members' behavior.[23] From a government point of view, these organizations have some influence over a resource—employers' willingness to engage in the employment or workplace training of vulnerable workers—that the government may have an interest in. In exchange for some control of this resource (i.e., who is employed or trained, or under what conditions), the government may be willing to provide subsidies or other forms of compensation to employers and/or their organizations. Because employer organizations have some capacity to motivate their members to comply with public policy initiatives—or at least to spread awareness of them—they may reduce the transaction costs involved in such exchanges.[24] They may furthermore reduce the risk of poaching among members and thus increase the expected return to employers' participation in training.

In sum, corporatist arrangements may facilitate the production of those particular ALMP programs that require the *joint* involvement of employers and the state. There is less reason to expect the same to be true for programs produced unilaterally by the state. Although it is possible for employer organizations to mobilize support for public spending on such programs, it appears less likely compared to joint programs that may bring more evident benefits to their members.

In the absence of strong corporatist arrangements, in contrast, employer organizations have limited capacity to influence individual employers' willingness to hire or train vulnerable workers. For a government that considers ALMP production, jointly produced programs are not off the table altogether, but their potential benefits are lower because transaction costs tend to be higher. However, because in this context the government may still run programs that do not involve employers, the possibility of *unilateral* production remains intact.

Consequently, the effect of corporatist arrangements on *overall* ALMP production will depend on the extent to which the two categories of programs serve as substitutes. Their substitutability, in turn, will be a function of, among other things, the level of 'demand' for ALMPs, the fiscal status of the government, and the perceived marginal return to various kinds of programs. Regardless, assuming that most governments face some degree of budgetary constraint and that—in line with most evaluations[25]—Joint programs are perceived as being somewhat more efficient than Unilateral programs, it is likely that the two types of programs do substitute for each other to some extent. In other words, when the preconditions for joint production are favorable, governments would likely, *ceteris paribus*, prefer to spend less on Unilateral programs and more on Joint programs. In sum, if the argument outlined above is correct, we may expect that

H_1*: On average, corporatist arrangements are positively related to Joint programs and negatively related to Unilateral programs.*

Partisan politics and the mode of production of ALMP

To fully understand the role of corporatist arrangements for ALMP, we need to take into account some specific partisan motives related to the mode of production of ALMP

programs.

The effect of partisanship on ALMP development has been perhaps the most contested issue in comparative ALMP research over the past decade.[26] In recent years, a new but still inconsistent wave of research has suggested that the role of partisanship varies across categories of ALMP programs.[27] As regards employment subsidies and other employer-involving programs such as those in focus here, studies support two conflicting hypotheses. Vlandas argues that left-wing parties will be less supportive of employment subsidies than of direct job creation and training programs due to potentially adverse consequences for employed workers.[28] Nelson argues the opposite: promoting programs that require employer involvement will "call on employers to expend resources to hire from a particular group of workers".[29] Because "[c]enter-right parties have long cultivated a close relationship with and protected the interests of employers", they should be more hesitant than left-wing parties to impose such obligations on firms.[30]

I suggest that these contradictory views can be at least partly reconciled by acknowledging that wage subsidies and similar programs might actually bring substantial economic benefits to firms, especially when compared to most other types of social spending. Thus, promoting what is here referred to as Joint programs might be viewed as a natural component of a center-right strategy *precisely because* center-right parties favor the interests of business. Moreover, these parties may see the involvement of non-state actors in the production of social services as a way to reduce the role of the state and strengthen those private interests, such as employers, that typically support right-wing policy.[31] An additional advantage to center-right parties of involving private employers in subsidized employment of disadvantaged workers is that it may increase the share of the electorate who work in the

private sector, where voters are generally more likely to vote for center-right parties.[32] As none of these arguments apply to programs produced unilaterally by the state, we may generally expect that center-right governments have a strong preference for Joint over Unilateral production.

For parties of the left, in contrast, we may expect the mode of production to be less salient because the trade-off between the Joint and Unilateral programs is less clear. On the one hand, as noted above, evaluations generally find that Joint programs are slightly more efficient in improving beneficiaries' employment prospects. Moreover, studies of other welfare services in the advanced democracies have shown that social democrats may want to involve private producers in an effort to maintain the legitimacy of an extensive welfare state among middle class constituencies.[33] With employers being a key stakeholder in the realm of labor market policy, the left may thus see joint production as a possible way to improve both the efficiency and legitimacy of policy.

On the other hand, for fundamental ideological reasons the left will still tend to be more skeptical than the right about the potential benefits of private sector involvement.[34] In addition, the left tends to have stronger ties to well-organized groups of public sector producers who are likely to promote unilateral production as a strategy to sustain support for public services by tying participants as well as caseworkers to the public sector. Considering these mixed incentives, it is not surprising that studies of other welfare services have found that the left does at times promote private provision, but tends to do so more reluctantly than the right, and in a way that devolves less power to private producers.[35] Consequently, it could be hypothesized that

H$_2$: *On average, the influence of center-right parties in government is positively related to Joint programs but negatively related to Unilateral programs.*

Because, as argued above, the strength of corporatist arrangements affects the relative costs of Joint and Unilateral production, such arrangements may also shape the partisan conflicts in the policy field of ALMP. To clarify this argument, think of two governments—one dominated by left parties and one by center-right parties—operating in two environments—one where corporatist arrangements are weak and one where they are strong. For the sake of the argument, assume that the state of the economy and the costs and benefits that the parties associate with any other available policy options are held constant across the four scenarios, and that all policy options are characterized by some diminishing marginal returns. The implications of the following discussion are summarized in Table 1.

As argued above, the absence of strong corporatist arrangements increases the production cost of Joint programs but not of Unilateral programs. Therefore, in a low-corporatism environment, we may expect that the center-right government finds it particularly difficult to produce ALMP programs in a satisfactorily way, i.e., one in which their payoffs exceed those of other available policy options. Because center-right parties value Unilateral programs less than left parties do, in these circumstances the center-right government will be more likely than the left government to prioritize other policy options over ALMP. Consequently, in the low-corporatism scenario, we may expect partisan conflict to have particular bearing on the *level* of total ALMP expenditure.

In the presence of strong corporatist arrangements, the production cost of Joint programs is lower and thus their payoff is higher relative to other policy options. Accordingly, both

governments will engage in more Joint production, but the increase will be more pronounced

for the center-right government as it derives more benefits from such programs. Because

Joint and Unilateral programs are to some extent substitutes, the lower costs of Joint

programs will reduce the left government's demand for Unilateral programs as compared to

the low-corporatism scenario. Still, because the left government benefits relatively more than

the center-right government from Unilateral programs, it will nevertheless prefer a larger

volume of such programs. In consequence, in the high-corporatism scenario, partisan

conflicts are likely to revolve more around the *structure* of ALMP production than around its

level. Expressed more formally, we may thus hypothesize that

H_3*: Center-right influence in government is more strongly negatively related to total ALMP*

expenditure when corporatist arrangements are weak.

H_4*: Center-right influence in government is more strongly positively related to Joint*

programs when corporatist arrangements are strong.

Table 1: Government composition and ALMP demand in two institutional environments.

	Left government	Center-right government
Low-corporatism environment	*High demand for Unilateral programs* *Low demand for Joint programs*	*Low demand for Unilateral programs* *Low demand for Joint programs*
High-corporatism environment	*Medium demand for Unilateral programs* *Medium demand for Joint programs*	*Low demand for Unilateral programs* *High demand for Joint programs*

Note: Relative demand for unilaterally and jointly produced ALMP programs of two governments in two institutional environments, all other things being equal.
Source: Author's elaboration.

Illustrative cases

Before we proceed to formal hypothesis testing, two brief case studies will flesh out the proposed theory by exemplifying how partisan conflict in the field of ALMP has played out in practice in one low-corporatism environment, the United Kingdom, and one high-corporatism environment, Sweden. Using the data described in the next section, Table 2 summarizes the two cases with respect to the observed changes in government composition and program expenditures.

Partisanship and unilateral programs in the low-corporatist United Kingdom

The first case, the United Kingdom following the onset of the Great Recession, exemplifies how a left-wing government operating in a low-corporatism environment may expand unilateral production of ALMP programs and how such programs may become subject to class-based partisan conflict.

As Martin and Swank have shown in some detail, the failure of Blair's New Labour government elected in 1997 to partner with and mobilize participation from the fragmented British business community was an important reason for the limited success of the employment subsidies introduced in the late 1990s as part of the flagship New Deal initiative. Although the subsidy constituted a substantial 54 percent of wages, the Confederation of Business Industry (CBI) lacked the coordinating capacities needed to mobilize extensive employer engagement. Unable to strengthen these capacities, the government instead put considerable effort into mobilizing individual firms. However, as documented by Martin and Swank, while these efforts managed to raise some initial interest, they "did not add up to an institutional commitment to the programs", and consequently joint production never took off but remained limited throughout the noughties.[36]

Although subsequent Labour governments never terminated the New Deal programs, their potential was not deemed sufficient to tackle the consequences of the Great Recession, the onset of which caused unemployment to rise rapidly in 2009. In response, the Brown government introduced a range of new counter-cyclical measures, the most significant being the *Future Jobs Fund* (FJF).[37] Resembling a measure earlier called for by the Trade Union Confederation (TUC), the FJF was a direct job creation program targeted primarily at unemployed youth to subsidize temporary minimum wage employment mainly in the public and tertiary sectors. Out of the allotted £1,300 million, £680 million were eventually spent on around 100,000 additional jobs in 2010–2011.[38]

Soon after assuming power in 2010, the new center-right Cameron-Clegg coalition terminated the FJF and instead introduced the smaller *Work Programme* (WP). Although unilateral, per the aforementioned definition, this program was clearly more business-oriented than the FJF, as it commissioned labor market service providers predominantly from the private sector to deliver services to jobless clients.[39] The WP, as well as an accompanying redeployment of public resources to create 50,000 employer-led apprenticeships, was welcomed by the CBI, who did not *per se* disapprove of demand-led public intervention to tackle youth unemployment but had criticized the "overly rigid" FJF for not being sufficiently accessible to private sector employers.[40] Conversely, the TUC, who had praised the FJF for being "the most progressive jobs programme for more than a quarter of a century", criticized Cameron-Clegg's policy shift and later described the WP as an "expensive failure" through which "[p]rivate companies are milking the tax payer."[41] A similar albeit less fierce critique was voiced by Labour, who promised before the 2015 election to reduce the role of big corporate providers in the WP, in favor of local authorities

and enterprise partnerships.[42]

In sum, the rapid implementation of the FJF exemplifies how a contemporary left-wing government, operating in a low-corporatism environment, was willing and able to unilaterally produce an extensive ALMP program that used the public sector as an 'employer of last resort'.[43] Furthermore, the aftermath of the FJF illustrates how the role of the public sector in ALMP is subject to ongoing class-based political conflict along traditional partisan lines.

Table 2: Illustrative cases of changes in government and ALMP expenditure.

Government dominance	Corporatism	Joint Programs	Unilateral Programs	Joint Programs (%)
United Kingdom				
Left (2005-2010)	-1.06	0.10	0.37	24%
Center-right (2011)[a]	-1.06	0.10	0.20	33%
Change		0%	-45%	+39%
Sweden				
Left (2002-2006)	0.96	4.42	4.84	48%
Center-right (2007-2014)	0.79	5.30	3.39	61%
Change		+20%	-30%	+26%

Note: Expenditure expressed in tenths of one percent of GDP. Data are averaged for the preceding term of left-wing dominance and the subsequent term(s) of center-right dominance.
[a] United Kingdom ceased to report ALMP data after 2011.
Source: Jahn, "Changing of the Guard"; OECD, *LMP Database.*[44]

Partisanship and joint programs in high-corporatist Sweden

Consider next the case of Sweden, which, at first glance, appears to be at odds with the theory proposed above. Since 1991, when unemployment began to surge in the wake of the economic crisis and the central corporatist arrangements were famously dismantled, programs involving employers have seen an upward trend, while total ALMP expenditures have decreased from 1.94 percent of GDP in 1991 to 1.08 in 2014.[45] Moreover, these trends have continued under the watch of left- and right-wing governments alike.

However, despite the decline of corporatism, Sweden still scores high in cross-national comparisons, membership in employers' organizations has remained above 80 percent,[46] and unions and employers still influence policy-making, albeit informally.[47] More specifically, there are still strong ties between the Swedish Trade Union Confederation (*LO*) and the social democratic party, as well as between business and the political right.[48] In line with these allegiances, the employment subsidy programs that have been introduced over the past two decades differ in terms of how much discretion they grant to the participating employers and, in turn, in terms of their take-up.

With few exceptions, the programs introduced by the social democratic governments in power between 1994 and 2006 imposed rather strict requirements on employers and tight eligibility criteria for workers. For instance, the three dominant employment subsidy programs in operation during this period—the *General recruitment incentive*, the *Extended recruitment incentive*, and the *Special recruitment incentive*—all required wages and benefits be provided according to relevant collective agreements; they were capped at moderate wage levels and had a maximum duration of 24 months. Most importantly, no worker was eligible until the PES had assessed his or her case and assigned him or her to the employer in question.[49]

This design is markedly different from that of the program *Nystartsjobb* ('*New start jobs*'), which the center-right government elected in 2006 introduced to replace two of the previous recruitment incentives. Fully developed in 2009, this subsidy does not require equal job benefits and covers 63 percent of the wage cost with no upper wage limit. The maximum duration is up to 60 months, eligibility extends beyond registered unemployed and the assessment performed by the PES is minimal: anyone who can produce documentation

proving eligibility is entitled to the subsidy and their employer must only meet some basic requirements.[50]

Nystartsjobb, unlike most previous ALMP programs, has been more highly regarded by employers than by unions. As an example, the Swedish Trade Union Confederation called for making eligibility conditional on an assessment by the PES and consultation with unions as well as for requiring equal job benefits.[51] The left-wing government that took office in late 2014 introduced changes that, in part, incorporated these proposals alongside, among other things, the introduction of a direct job creation program for the predominately public welfare sector. These proposals caused representatives from the Confederation of Swedish Enterprise (*Svenskt Näringsliv*), the Swedish Federation of Business Owners (*Företagarna*), and the Conservative Party (*Moderaterna*) to speak out in defense of Nystartsjobb in its existing form.[52] The Swedish development, thus, is a case in point of how, in a corporatist environment, employers and center-right parties are more eager than their counterparts to reform ALMP in an employer-friendly direction.

Taken together, the two cases show that the theory outlined above bears on a number of real-world instances of ALMP policy-making. However, to establish whether these are representative of cases across the OECD, we need a more extensive statistical analysis. The remainder of the article sets out to provide this analysis.

Evidence from time-series–cross-section OECD data

Data and operationalizations

For the remaining analyses, I follow the bulk of the comparative literature on ALMP by applying time-series–cross-section (TSCS) data retrieved from the OECD social expenditure

database; this includes annual country-level observations of ALMP expenditure as a share of GDP, which can then be disaggregated into a number of program categories.[53] The advantage of this database over the more detailed EU LMP database is its wider geographical reach and longer time-span;[54] data begin in 1985 for 19 advanced democracies, including some outside Europe. To these, I add a few shorter time series to achieve a selection of countries similar to those in recent analyses by Martin and Swank, Nelson, and others.[55] All in all, the final sample consists of 21 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Although widely used, the OECD LMP database has a number of limitations that deserve mention. First, the program categories are broad, and there are some concerns regarding changes in definitions and coverage over time, particularly around the years 1998-2002, when the OECD LMP database began to adopt the slightly different definitions used in the EU LMP database. However, Grubb and Puymoyen have concluded that a reconstruction at the program level of the earlier time series has "greatly reduced the impact of statistical breaks so that the change in classification system is no longer a key limitation to the validity or comparability of the long time-series".[56] Second, as noted by Clasen et al.,[57] the database is limited to interventions at the national or regional level and thus might distort comparisons between countries and over time because it overlooks the role that local governments might play in ALMP provision. Third, spending does not necessarily reflect the content or quality of ALMP programs.[58] However, despite these shortcomings, the OECD LMP database has long been the dominant source of data for comparative studies on ALMP. In recent years, several studies have made use of the long time series of expenditure disaggregated into program categories.

For these long time series, the available ALMP categories are as follows: *Labor market services*; *Training*; *Employment incentives*; *Sheltered and supported employment and rehabilitation*; *Direct job creation*; and *Start-up incentives*. In the present analyses, the Employment incentives category is used as a proxy for Joint programs. According to the definition that guides the OECD LMP database, this category primarily covers recruitment incentives, employment maintenance incentives (including so-called 'short-time work'), and job rotation and job-sharing programs; these all take the form of subsidies that lower employers' labor costs for open market jobs, usually (though not always) for regular employers in the private sector.[59]

Admittedly, this categorization disregards the fact that some types of training programs—such as workplace training and apprenticeship programs—and some supported employment programs involve regular employers as well. Subcategories for these programs are unfortunately only available for recent years, but examination indicates that they represent only a minor part of the expenditures classified this way. Moreover, any difference between programs based on whether they involve employers is bound to be underestimated when this classification is applied. Thus, I consider Employment incentives to be an acceptable and rather conservative proxy for Joint programs. Consequently, I classify all remaining categories, aside from Labor market services, as Unilateral programs that require involvement only by the state. The Labor market services category is excluded from all analyses because it covers not only expenditures for programs that aim to benefit individuals but also costs for services to employers, administrative functions and general overhead, and because it partially lacks data for a few countries.

Dependent variables

Four dependent variables are constructed. The first three measure expenditure on all ALMP programs, on Joint programs, and on the remaining Unilateral programs, respectively. For ease of interpretation, each of these indicators is expressed in tenths of one percent of GDP. A fourth variable measures expenditure on Joint programs as a share of total ALMP expenditure. Descriptive statistics are reported in Appendix I, Table A1.

Independent variables

The main independent variable is the *Corporatism* index recently developed by Jahn.[60] Based on the theoretical work of Streeck and Kenworthy,[61] the index integrates both the structural and the functional aspects of corporatism discussed above (see Appendix I for details on composition). The index has a number of advantages over previous indexes of corporatism, such as those produced by Hicks and Kenworthy, Siaroff, and Martin and Swank.[62] First, although based on a refined and more parsimonious conceptualization of corporatism,[63] it is strongly correlated with previous indexes.[64] Second, because the index is available annually and covers a large number of countries, it lends itself nicely to comprehensive time-series– cross-sectional analysis, which has become the standard in macro-comparative research on ALMP. Third, it is based on data from the publicly accessible ICTWSS database,[65] which makes it comparably transparent and enables extensions to more recent years. While for the sake of replicability, I use the index reported and made available by Jahn for the years up to 2010,[66] I also extend the index to 2014 and run supplementary analyses on the larger sample as a robustness check (see Appendix II). Acknowledging that "corporatism is a slowly changing institutional setting" and that "[o]nly if changes are persistent they should be taken as a sign that the degree of corporatism changed over time in a country", I follow Jahn by using the five-year moving average of the index.

To reduce the risk of omitted variable bias, I add country-fixed effects to all models, which means that only the share of the variation in corporatism within countries over time is used in the estimation of parameters. Usefully, for this purpose, the past 30 years have seen considerable within-country variation in corporatism, as displayed in Appendix I. Importantly, the observed changes are not all in a downward direction; rather, as noted by Jahn, corporatism tends to follow a cyclical pattern with "peaks every 20 to 30 years".[67] Following earlier studies, I also include several control variables, all of which are retrieved from the Comparative Political Data Set.[68] First, because ALMP expenditure tends to be related to the business cycle, I include indicators of the *Unemployment rate* (as a share of the labor force), the *Employment rate* (as a share of the population), and *Real GDP growth*. Consistent with previous literature, I also include the Chinn and Ito index of *Openness* of the economy and a measure of *Deindustrialization*, defined as employment in services as share of total civilian employment.[69] I furthermore control for *Government debt*, which may constrain ALMP expenditure. Finally, I add year dummies to control for possible common temporal shocks.

As regards partisanship, I follow the established practice in the field by distinguishing between, on the one hand, social democratic and other left-wing parties and, on the other hand, center parties and right-wing parties.[70] To test the hypotheses about partisanship and its interaction with corporatism, I include the dichotomous variable *Center-right influence*, which scores 1 if center parties and right parties control more than one-third of the cabinet seats. The effect of center-right influence is likely not linear; we would expect it to facilitate the production of Joint programs unless it is very limited.[71]

Empirical strategy

Because the effects of both corporatism and partisanship do not necessarily dissipate instantaneously but may be distributed over time, the dynamics of this process should be modeled carefully.[72] To avoid imposing invalid restrictions, I apply a fully general dynamic specification referred to as the autoregressive distributed lag (ADL) model, which is estimated by ordinary least squares (OLS) regression.[73] Mathematically equivalent to the error correction (EC) model, the ADL model works well whether the time series are integrated or stationary.[74] The first set of models are used to estimate the average short-run and long-run effects of *Corporatism* and *Center-right influence* and have the following specification:

$$Y_{ct} = \alpha_1 Y_{ct-1} + \beta_0 R_{ct} + \beta_1 R_{ct-1} + \beta_2 C_{ct} + \beta_3 C_{ct-1}$$
$$+ \boldsymbol{\gamma_0' X_{ct}} + + \boldsymbol{\gamma_1' X_{ct-1}} + \delta_c + \eta_t + \varepsilon_{ct} \tag{1}$$

Here, Y_{ct} is the value of the dependent variable in question in country c at year t, and Y_{ct-1} is its first lag; R_{ct}, C_{ct}, and $\boldsymbol{X_{ct}}$ denote *Center-right influence*, *Corporatism*, and a vector of control variables in country c at year t; R_{ct-1}, C_{ct-1}, and $\boldsymbol{X_{ct-1}}$ are the first lags of those variables; δ_c is a country-specific intercept; η_t is a year-fixed effect; and ε_{ct} is the error term. From this model, we can estimate both short-run and long-run effects, as well as their standard errors. For hypotheses H_1 and H_2, we are particularly interested in the short-run effect of *Corporatism* and *Center-right influence*, which are respectively denoted by β_2 and β_0, and their long-run effects, totaled over all future time periods: $\frac{\beta_2 + \beta_3}{1 - \alpha_1}$ and $\frac{\beta_0 + \beta_1}{1 - \alpha_1}$.[75]

A second set of models is used to test whether the effect of *Center-right influence* is conditional on a certain level of *Corporatism*, as posited by hypotheses H_3 and H_4. To this end, four interaction terms are appended to the right-hand side of Equation 1:

$$+\beta_4 R_{ct} C_{ct} + \beta_5 R_{ct-1} C_{ct} + \beta_6 R_{ct} C_{ct-1} + \beta_7 R_{ct-1} C_{ct-1} \qquad (2)$$

Following Warner,[76] I estimate the immediate conditional effect of R_{ct} at different values of C_{ct} and C_{ct-1} as:

$$\beta_0 + \beta_4 C_{ct} + \beta_6 C_{ct-1} \qquad (3)$$

The country-specific intercepts are included in all models to absorb all time-invariant country characteristics, albeit at the cost of lower efficiency. This choice is motivated by a set of Breusch-Pagan LM tests, which find considerable between-country variation in the average level of ALMP expenditures. A weakness of autoregressive models with country-specific intercepts is that they produce biased parameter estimates.[77] However, the bias is known to decrease with the number of observed periods, and for cases where $\bar{T}$ is 20 or more, Beck and Katz recommend the ADL model estimated by OLS over the various well-known correction techniques.[78] Their advice is applicable to this sample, with 482 country-years nested in 21 slightly unbalanced panels between 1985 and 2010 ($\bar{T}$ = 23.0).

In line with the methodological literature on long panels[79] and most of the recent work on ALMP,[80] I apply panel-corrected standard errors that allow for heteroskedasticity, serial correlation, and cross-sectional correlation in the error terms.

Results

Table 3 presents estimates of the average short-run and long-run associations needed to evaluate hypotheses H$_1$ and H$_2$. These estimates derive from the first set of models, which are

reported in full in Table 4.

First, consider hypothesis H$_1$, which is strongly corroborated by the results. *Corporatism* is positively related to expenditure on Joint programs—both in absolute terms and as share of total expenditure—and negatively related to expenditure on Unilateral programs. This is the case for both the short-run and the long-run estimates, all of which are statistically significant at conventional levels. Interestingly, for overall ALMP expenditure, both estimates are negative and non-significant.

Table 3: Effects of corporatism and center-right influence on ALMP.

	All ALMP Programs	Joint Programs	Unilateral Programs	Joint Programs (%)
Corporatism				
Average short-run	-0.54	0.52***	-1.05***	0.06**
Average long-run	-1.10*	0.46**	-1.81***	0.10***
Center-right influence				
Average short-run	-0.03	0.15***	-0.17	0.02*
Average long-run	-1.55*	0.31	-2.17***	0.06***
Center-right influence conditioned by corporatism				
At low *Corporatism*	-0.21*	0.06	-0.29***	0.01
At high *Corporatism*	0.16	0.22**	-0.05	0.02**
Sample mean	5.70	1.12	4.58	0.20

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Corporatism levels are the 25th and the 75th percentiles.
Source: Based on models in Tables 4 and 5.

In substantive terms, Model 2 suggests that a one-unit (approximately 1 standard deviation) increase in *Corporatism* is associated with a short-term increase in expenditure on Joint programs of 0.052 percent of GDP (46 percent of the sample mean for this program category). Over the long run, this association is slightly reduced to 0.046 percent of GDP. Model 3 suggests that the same change is associated with a short-term decrease in expenditure on Unilateral programs of 0.105 percent of GDP (23 percent of the sample mean) and that in the long run, this effect grows to 0.181 percent. The combined result, reflected in

Model 4, is that the share of total expenditure devoted to Joint programs increases by 6 percentage points (30 percent of the sample mean) immediately and 10 percentage points in the long run.

The results also lend some support to hypothesis H_2. In the short-run, a shift from a government that is dominated by left parties to one in which center-right parties have at least some influence is, on average, associated with an increase in expenditure on Joint programs by 0.015 percent of GDP (13 percent of the sample mean) and a similar, yet insignificant, reduction of Unilateral programs. Model 3 suggests that in the long run, the association between *Center-right influence* and Unilateral programs is significant. This is also reflected in Model 4, which estimates a significant and positive long-run association between *Center-right influence* and the share of total expenditure devoted to Joint programs. Noticeably, whereas these results indicate that, on average, partisanship is related to the *structure* of ALMP spending, Model 1 finds no relationship between partisanship and the overall *level* of spending.

Moving beyond average relationships, hypotheses H_3 and H_4 posit that the association between *Center-right influence* and ALMP is conditioned by *Corporatism*. Based on the second set of models summarized in Table 5, Figure 2 plots estimates of the short-run marginal effects of a shift to *Center-right influence* across the full range of observed values of *Corporatism*. As a supplement, the bottom panel of Table 3 reports estimates of these effects at one low and one high level of *Corporatism*. As hypothesized, the results suggest that the nature of partisan conflict over ALMP varies by the strength of corporatist arrangements.

Table 4: Regression results from the first set of models.

	All ALMP Programs	Joint Programs	Unilateral Programs	Joint Programs (%)
Dependent variable$_{t-1}$	0.84***	0.76***	0.86***	0.70***
	(0.02)	(0.04)	(0.02)	(0.06)
Corporatism	-0.54	0.52***	-1.05***	0.06**
	(0.35)	(0.16)	(0.25)	(0.03)
Corporatism$_{t-1}$	0.36	-0.41**	0.81***	-0.03
	(0.32)	(0.16)	(0.23)	(0.02)
Center-right influence	-0.03	0.15***	-0.17	0.02*
	(0.14)	(0.06)	(0.11)	(0.01)
Center-right influence$_{t-1}$	-0.23	-0.08	-0.12	0.00
	(0.14)	(0.06)	(0.11)	(0.01)
Control variables				
Unemployment rate	-0.07	-0.02	-0.04	0.00
	(0.06)	(0.03)	(0.05)	(0.00)
Unemployment rate$_{t-1}$	0.09	0.03	0.05	-0.00
	(0.06)	(0.03)	(0.05)	(0.00)
Employment rate	-0.07	0.00	-0.06	0.01*
	(0.06)	(0.02)	(0.04)	(0.00)
Employment rate$_{t-1}$	0.12**	0.01	0.10**	-0.01**
	(0.06)	(0.02)	(0.04)	(0.00)
Real GDP growth	0.00	0.00	0.00	-0.00
	(0.03)	(0.01)	(0.02)	(0.00)
Real GDP growth$_{t-1}$	-0.05**	-0.01	-0.04**	-0.00
	(0.03)	(0.01)	(0.02)	(0.00)
Openness	-0.81	-0.44	-0.28	-0.02
	(0.76)	(0.34)	(0.52)	(0.05)
Openness$_{t-1}$	1.45*	0.62*	0.78	0.03
	(0.76)	(0.34)	(0.51)	(0.05)
Deindustrialization	-2.71	-1.03	-2.05	-0.19
	(2.10)	(0.64)	(2.01)	(0.12)
Deindustrialization$_{t-1}$	-3.23	-0.52	-2.88	-0.09
	(2.14)	(0.70)	(2.00)	(0.13)
Government debt	0.04***	0.01***	0.02***	0.00
	(0.01)	(0.00)	(0.01)	(0.00)
Government debt$_{t-1}$	-0.03***	-0.01***	-0.02***	-0.00
	(0.01)	(0.00)	(0.01)	(0.00)
Constant	0.42	-0.16	0.80	0.26**
	(1.51)	(0.58)	(1.13)	(0.11)
Country-fixed effects	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes
Adjusted R^2	0.95	0.93	0.95	0.88
Observations	482	482	482	482

Note: Panel-corrected standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
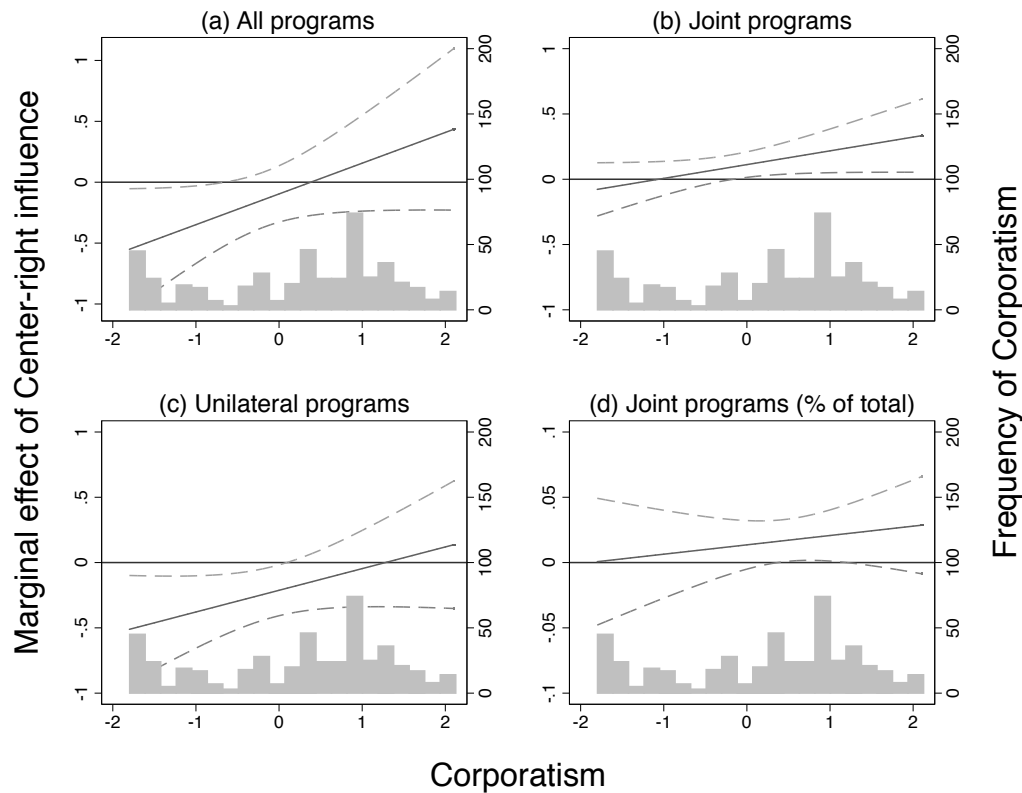*Source:* See text.

Figure 2. Conditional effects of Center-right influence on ALMP.
Note: Effects of a change to *Center-right influence* on ALMP conditional on *Corporatism* (at *t* and *t-1*) following Equation 3, with all control variables held at their means (left axis). Dashed lines denote 95 percent confidence intervals. Bars display observed frequency of *Corporatism* (right axis).
Source: Based on models in Table 5.

In low-corporatism environments, *Center-right influence* is significantly associated with lower total ALMP expenditure (panel a), driven entirely by its association with Unilateral programs (panel c). Presumably because the prospects of producing Joint programs in this context are weak to begin with, there is little observed partisan conflict about these programs or about the structure of spending (panels b and d). Essentially, in this environment, partisan conflict is mostly a matter of more or less ALMP expenditure.

In high-corporatism environments, there is, in contrast, no significant relationship between partisanship and total ALMP expenditure (panel a). Instead, *Center-right influence* is

positively associated with Joint programs (panel b) and apparently unrelated to Unilateral programs (panel c). This result suggests that here, parties on the left—for whom the mode of production is less salient—can satisfy some of their ALMP demand through Joint programs (bringing down their demand for Unilateral programs), but center-right parties still come out as the bigger spenders for this category. In essence, partisan conflict now primarily concerns the structure of ALMP spending, as indicated by the estimated positive relationship between *Center-right influence* and the share of Joint programs (panel d), which is significant or close to significant at values of *Corporatism* around or above 1 (the 75th percentile).

Table 5: Summary of regression results from the second set of models.

	All ALMP Programs	Joint Programs	Unilateral Programs	Joint Programs (%)
Dependent variable $_{t-1}$	0.84***	0.75***	0.87***	0.69***
	(0.02)	(0.04)	(0.02)	(0.06)
Center-right influence	-0.10	0.11**	-0.21**	0.01
	(0.12)	(0.05)	(0.10)	(0.01)
Center-right influence $_{t-1}$	-0.13	-0.04	-0.06	0.00
	(0.12)	(0.05)	(0.10)	(0.01)
Corporatism	-0.48	0.29*	-0.82***	0.02
	(0.39)	(0.17)	(0.28)	(0.03)
Corporatism $_{t-1}$	0.30	-0.15	0.56**	0.02
	(0.40)	(0.17)	(0.28)	(0.03)
Center-right inf. × Corp.	2.98**	-0.70	3.53***	-0.23***
	(1.32)	(0.47)	(1.02)	(0.07)
Center-right inf. $_{t-1}$ × Corp.	-2.74**	-0.11	-2.64***	0.08
	(1.16)	(0.43)	(0.90)	(0.07)
Center-right inf. × Corp. $_{t-1}$	-2.72**	0.80*	-3.37***	0.24***
	(1.29)	(0.45)	(0.99)	(0.07)
Center-right inf. $_{t-1}$ × Corp. $_{t-1}$	2.41**	0.02	2.40***	-0.08
	(1.13)	(0.42)	(0.87)	(0.06)
Control variables	Yes	Yes	Yes	Yes
Country-fixed effects	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes
Adjusted R^2	0.95	0.93	0.95	0.88
Observations	482	482	482	482

Note: Panel-corrected standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Control variable output is largely identical to that in Table 4.
Source: See text.

Concluding discussion

While comparative scholarship on ALMP has generated little consensus regarding the political and economic determinants of ALMP in advanced democracies to date,[81] scholars do tend to agree on the centrality of involving the social partners—especially employers—for the successful formation and implementation of ALMP programs. Pointing to a growing pressure on corporatist arrangements by the forces of globalization and deindustrialization, some, like Martin and Swank, even suggest that the survival of egalitarian social protection "depends, in part, on whether well-organized groups can bring employers together and on the structures and strategies of the state to bolster the institutions of coordination".[82]

This transaction-oriented theory of corporatism, partisanship, and ALMP advanced in this article casts doubt on the received wisdom from previous literature and offers a number of new insights into the power dynamics of contemporary welfare state policy and politics. First, insofar as egalitarian social protection hinges on the extensive provision of ALMP programs, the results in this article suggest that existing scholarship has overstated the importance of corporatism and employers and downplayed the vital role of the state and the parties that govern it. Whereas corporatist arrangements favor the expansion of ALMP programs that involve employers, expenditures on programs that are produced unilaterally by the state are negatively or not at all related to these arrangements, and the association between corporatism and ALMP overall appears negligible. Although ALMP programs in which private employers take part in the production are indeed often found to be more effective than others,[83] alternative ALMP strategies are available for governments operating in a scenario where prospects for joint production are bleak. This is not to say, however, that a support coalition for ALMP that does not involve employers is necessarily as stable as one that does. As evidenced by Figure 1 above, there has been an overall decline in unilateral ALMP

production in recent decades; possibly reflecting changes in the underlying political coalitions.

Second, the results in this article also speak to two broader scholarly discussions. The first discussion takes place between proponents of the 'power resources' approach and its various critics, and it concerns the role of partisanship for the welfare state in general and for ALMP in particular. The finding that governments with a certain degree of center-right influence tend to favor ALMP programs through which employers can extract resources from the state suggests that partisanship still matters and that governments can and do calibrate policy to favor different interests.

Similarly, the results from the interaction models might shine new light on one of the seminal studies within the 'insider-outsider' approach. Rueda finds a negative association between left-wing government strength and overall ALMP spending in high-corporatism environments[84]—but no such association in low-corporatism environments—and argues that corporatist arrangements make left-wing parties less prone to favoring the interests of outsiders, who are assumed to be the main beneficiaries of ALMP. Interestingly, the results from the models shown in Figure 2 suggest that the negative (though insignificant) relationship between left-wing influence and total ALMP expenditure in high-corporatism environments found also in this article (panel a) is indeed driven by Joint programs (panel b). Thus, an alternative interpretation of Rueda's finding is that rather than being generally less prone to support ALMP programs—which in fact may or may not benefit outsiders[85]— governments dominated by the left are relatively less prone to support ALMP programs that benefit employers, the production of which is facilitated by corporatist arrangements.

The second discussion concerns the conditions under which employers engage in social policy, as seen in the difference between the account advanced by Streeck and by Martin and Thelen[86]—in which employer participation hinges on the state's capacity to provide them with sufficiently strong incentives—and the account of Martin and Swank,[87] which holds that encompassing business associations have a cognitive impact on their members, in that they can transform employers' preferences for social policies so that they better accommodate broad societal goals. This article supports the former account, as it finds little evidence that corporatist arrangements also bolster those programs that do not involve a direct extraction of resources from the state to employers. To draw on the terminology of Korpi,[88] it appears misleading to describe employers as either 'protagonists' or 'antagonists' in relation to ALMP; rather, they may be best seen as *latent* 'consenters'—ready to step in provided that the right infrastructure and compensation are in place. These findings matter; as the role of employers in the provision of social and labor market policy increases in many advanced welfare states, so does the importance of fully understanding employers' motivations to get involved as well as the distributional consequences of such involvement.

Finally, a few limitations of the present analysis should be mentioned. First, although in line with most existing studies in the field, the key explanatory factors—corporatism and partisanship—are treated as exogenous, even though their development may be confounded.[89] Second, while the results demonstrate that a largely overlooked organizational dimension of ALMP programs may become subject to political conflict, the nature of that conflict, in turn, likely depends on another organizational feature, namely how programs are funded. If funded by general taxes, the conflict is between taxpayers and firms; if funded by social security contributions, the conflict is among firms, arguably between those from more and less labor-intensive sectors. In any event, the first step taken here toward recognizing the relevance of

organizational dimensions of programs in comparative ALMP research adds to existing

analytical frameworks—such as those by Bonoli, Nelson, Vlandas, and Cronert[90]—that

primarily deal with dimensions related to the content and targeting of programs. To integrate

these various dimensions into a more unified framework appears to be an important and

promising task for future research.

Appendix I: Supplementary information

Table A1 reports descriptive statistics for all variables used in the main analyses. Table A2 presents the eight components of Jahn's *Corporatism* index. Figure A1 plots how the 482 observations in the main sample are distributed across countries and years, as well as how Jahn's *Corporatism* index changes over the observed periods.

Table A1: Descriptive statistics for the main sample.

	Mean	S.D.	Min.	Max.
All ALMP programs	5.7	4.16	0.3	24.3
Joint programs	1.12	1.33	0	7.7
Unilateral programs	4.58	3.32	0	16.8
Joint programs (% of total ALMP)	0.2	0.17	0	1
Corporatism	0.24	1.1	-1.8	2.13
Center-right influence	0.74	0.44	0	1
Control variables				
Employment rate (%)	67.3	8.26	44.2	86.7
Unemployment rate (%)	7.41	3.43	1.6	22
Government debt (% of GDP)	69.7	31.9	16.1	193.2
Real GDP growth (%)	2.37	2.42	-8.27	11.3
Deindustrialization	0.68	0.08	0.43	0.89
Openness	0.9	0.2	0.17	1

Note: N = 482.
Source: See text.

Table A2: Composition of Jahn's corporatism index.

Aspect	Item	Indicator
Structure	I	Organizational structure of collective actors [0–1]
	II	Structure of work council representation [0,1,2,3,4]
	III	Rights of work councils [0,1,2,3]
Function	IV	Government intervention in wage bargaining [0,1,2,3]
	V	Dominant level of wage bargaining [1,2,3,4,5]
	VI	Involvement of unions and employers in government decisions [0,1,2]
Scope	VII	Coordination of wage bargaining [1,2,3,4,5]
	VIII	Mandatory extension of collective agreements [0,1,2]

Note: This article uses Jahn's additive version of the index, in which the *z*-scores of each item have been summed up. An alternative version generated by factor analysis has a 0.98 correlation with the additive index. All items are retrieved from Visser, *ICTWSS Data Base*.
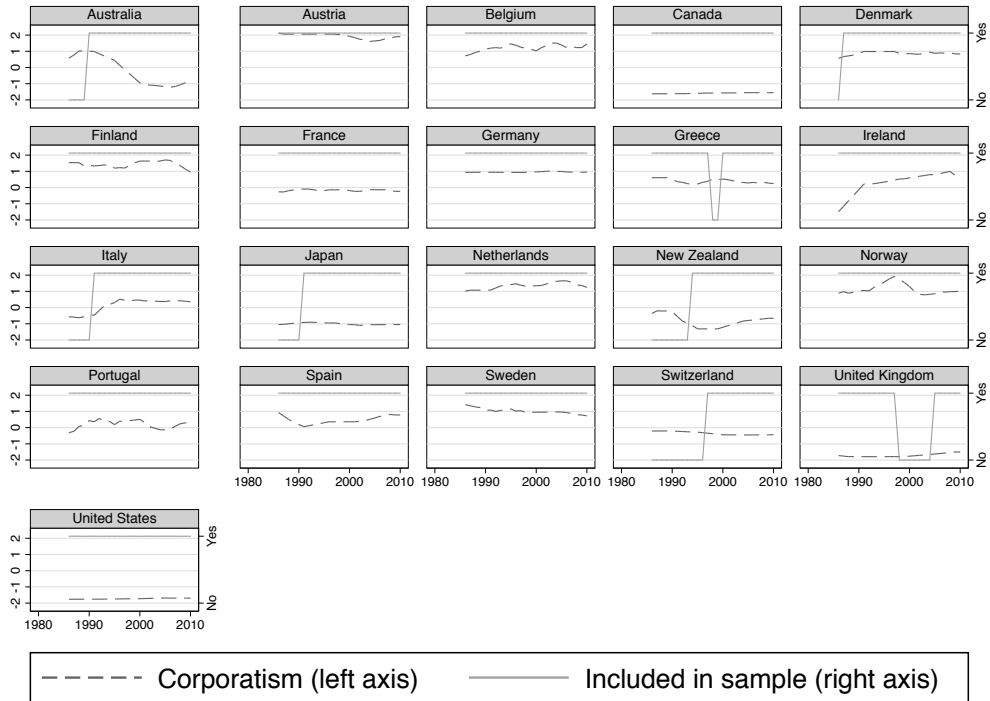*Source:* Jahn, "Changing of the Guard".

Figure A1. Trends in Corporatism in the 21 countries in the main sample.
Source: Jahn, "Changing of the Guard".

Appendix II: Robustness checks

As an initial check of the sensitivity of my results, I apply a "jackknife" procedure where I estimate 21 new 20-country models by excluding one country at a time, and, in turn, save the estimates for each of the 24 coefficients of interest (i.e., those presented in Table 3). Following Martin and Swank,[91] I then create a "jackknifed" version of each coefficient by averaging the 21 20-country coefficients and use the standard deviation of the variable formed by these 21 coefficients as its standard error. The results are encouraging. Available from the author upon request, the "jackknifed" coefficients are mostly very similar to those in the main analyses and highly significant. As regards the total 252 estimates of the 12 coefficients that are significant in the main analyses and thus of particular interest, only 13 percent drop below significance when one country or another is excluded, and none changes direction.

Next, I summarize five additional sets of robustness checks and extensions; for each of these, I run slightly modified versions of the eight models used in the article to reproduce the coefficients presented in Table 3 above. In the first set of models a version of the *Corporatism* index that measures year-to-year changes in the index replaces the index recommended by Jahn which is used in the main analysis. The second set of models exchanges the dichotomous *Center-right influence* indicator for a continuous variable, measuring the cabinet posts of center parties and right parties as a percentage of total cabinet posts.[92]

The third set of models applies a special case of the ADL model called the Partial Adjustment (PA) model. This model restricts the coefficients for the lags of all independent variables

(i.e., β_1, β_3, and $\boldsymbol{\gamma_1}$ in Equation 1) to 0,[93] which alters the shape of the dynamic relationships between the variables. At least with respect to the *Corporatism* variable, this appears to be an invalid restriction, given that β_3 is significant in two of the models in the main analyses. In the case of the interactive models β_5, β_6 and β_7 are restricted to 0, and the immediate conditional effect of *Center-right influence* is given by:

$$\beta_0 + \beta_4 C_{ct} \qquad\qquad (4)$$

The fourth set of models extends the sample in time from 2010 to 2014. Doing so requires a re-estimation of the *Corporatism* index using the replication procedure provided by Jahn. This exercise is not entirely straightforward because revisions have been made to some of the variables that are used to compute the index between the 3.0 version of the ICTWSS database and the 5.0 version that includes data for years later than 2010.[94] Although this results in some discrepancies between the two versions of the index for earlier years, the two are still strongly correlated ($r = 0.97$).

Finally, the fifth set extends the sample to eight additional countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. These countries have not been included in the previous longitudinal studies of ALMPs referred to in this article, and they did not become OECD member states until the 1990s or 2000s. Because for some of these countries, the available time series are noticeably short, including them brings down the $\bar{T}$ to below 20, which is typically considered a critical value for unbiased estimates in autoregressive models with country-specific intercepts.[95]

These five sets of robustness checks produce 120 coefficients of interest that are available

from the author upon request. Overall, the results are fairly robust to the extensions and modifications. In no case does a coefficient directly contradict theory by reaching statistical significance in the opposite direction to that theorized. Coefficients drop below statistical significance for 15 percent of the cases with respect to Joint programs, 30 percent in the case of Unilateral programs, and 40 percent in the case of Joint programs as a share of total ALMP expenditure. By contrast, if we consider both short-run and long-run effects jointly, there are only two independent variables in three different models (i.e., 3 out of 20 cases) that do not lend any support to the fundamental theoretical argument that *Corporatism* and *Center-right influence* are related differently to the two types of programs (in the short and/or the long run).

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Notes

[1] Jochen Clasen, Daniel Clegg, and Alexander Goerne, "Comparative Social Policy Analysis and Active Labour Market Policy: Putting Quality before Quantity," *Journal of Social Policy* 45, no. 1 (2016): 21–38.

[2] Gary Mucciaroni, *The Political Failure of Employment Policy, 1945–1982* (Pittsburgh, PA: University of Pittsburgh Press, 1990); Peter A. Swenson, *Capitalists against Markets: the Making of Labor Markets and Welfare States in the United States and Sweden* (New York: Oxford University Press, 2002); Cathie Jo Martin and Duane Swank, *The Political Construction of Business Interests: Coordination, Growth, and Equality* (Cambridge: Cambridge University Press, 2012); Moira Nelson, "Revisiting the Role of Business in Welfare State Politics: Neocorporatist Versus Firm-Level Organization and Their Divergent Influence on Employer Support for Social Policies," *Comparative European Politics* 11, no. 1 (2013): 22–48.

[3] Desmond King and Bo Rothstein, "Government Legitimacy and the Labour Market: A Comparative Analysis of Employment Exchanges," *Public Administration* 72, no. 2 (1994): 291–308; Cathie Jo Martin, "Reinventing Welfare Regimes: Employers and the Implementation of Active Social Policy," *World Politics* 57, no. 1 (2004): 39–69; Cathie Jo Martin and Duane Swank, "Does the Organization of Capital Matter? Employers and Active Labor Market Policy at the National and Firm Levels," *American Political Science Review* 98, no. 4 (2004): 593–611; Cathie Jo Martin and Kathleen Thelen, "The State and Coordinated Capitalism: Contributions of the Public Sector to Social Solidarity in Postindustrial Societies," *World Politics* 60, no. 1 (2007): 1–36; Jonas Pontusson, "Once Again a Model: Nordic Social Democracy in a Globalized World," in J. Cronin, G. Ross, and J. Shoch, eds., *What's Left of the Left: Democrats and Social Democrats in Challenging Times* (Durham: Duke University Press, 2011), 89–115.

[4] Martin and Swank, *The Political Construction*, 27, 151.

[5] cf. Phillipe C. Schmitter, "Still the Century of Corporatism?" *The Review of Politics* 36, no. 1 (1974): 85–131.

[6] cf. Gerhard Lehmbruch, "Liberal Corporatism and Party Government," *Comparative Political Studies* 10, no. 1 (1977): 91–126.

[7] OECD, *LMP Database: Public Expenditure and Participant Stocks on LMP* (Paris: OECD, January 28, 2017, online at http://stats.oecd.org).

[8] cf. Fritz W. Scharpf, *Games Real Actors Play: Actor-Centered Institutionalism in Policy Research* (Boulder: Westview Press, 1997). Although the impact of a third group of actors—namely, unions—on the development of ALMP programs cannot be ruled out, their impact is arguably smaller than that of employers because the latter more commonly assume a formal role in the co-financing and/or co-production of programs. Thus, for the sake of parsimony, unions are left out of the theoretical framework outlined here.

[9] Martin and Swank, *The Political Construction*, 151.

[10] Scharpf, *Games Real Actors Play*, 118.

[11] Start-up incentives are programs to help clients start their own businesses. As such, they do not require input from existing employers.

[12] It should be pointed out that input from employers could have a *quality enhancing* impact on certain unilateral programs. For example, an institutional training program may benefit from employers' advice on the curriculum. However, because such input is not a *requirement* for program production, such programs are nevertheless considered unilateral per this definition.

[13] Martin and Swank, *The Political Construction*.

[14] This point has been made before, most forcefully by Farnsworth. In his account, some programs—such as labor market services and training programs—bring clear benefits for

both employees and employers, while others—such as wage subsidies—solely benefit employers. See Kevin Farnsworth, *Social Versus Corporate Welfare* (Basingstoke: Palgrave Macmillan, 2012), 139.

[15] Ruud Gerards, Joan Muysken, and Riccardo Welters, "Active Labour Market Policy by a Profit-Maximizing Firm," *British Journal of Industrial Relations* 52, no. 1 (2014): 136–57.

[16] Thomas Bredgaard and Jon L. Halkjær, "Employers and the Implementation of Active Labor Market Policies," *Nordic Journal of Working Life Studies* 6, no. 1 (2016): 47–59.

[17] In the US, leaders of labor-intensive service industries lobbied for maintaining and deregulating the *Targeted Job Tax Credit* throughout the 1980s (Edward C. Lorenz, "TJTC and the Promise and Reality of Redistributive Vouchering and Tax Credit Policy," *Journal of Policy Analysis & Management* 14, no. 2 (1995): 270–90). In Germany, the Confederation of German Employers' Associations (BDA) in the late 1990s advocated wage subsidies as a tool to increase employment while rejecting job creation schemes (Timo Fleckenstein and Soohyun C. Lee, "The Politics of Labor Market Reform in Coordinated Welfare Capitalism," *World Politics* 69, no. 1 (2017): 144–83). In Sweden, the Confederation of Swedish Enterprise opposed restrictions to the extensive recruitment subsidy *Nystartsjobb* proposed in 2015 by the newly elected left-wing government (see case below).

[18] For an extensive discussion, see Giuliano Bonoli, *The Origins of Active Social Policy: Labour Market and Childcare Policies in a Comparative Perspective* (Oxford: Oxford University Press, 2013).

[19] See, e.g., Martin and Swank, *The Political Construction*.

[20] Schmitter, "Still the Century of Corporatism".

[21] Lehmbruch, "Liberal Corporatism and Party Government".

[22] For instructive discussions about the two approaches, see Oscar Molina and Martin Rhodes, "Corporatism: the Past, Present, and Future of a Concept," *Annual Review of Political Science* 5, no. 1 (2002): 305–31; Lucio Baccaro, "What Is Alive and What Is Dead in the Theory of Corporatism," *British Journal of Industrial Relations* 41, no. 4 (2003): 683–706; Wolfgang Streeck and Lane Kenworthy, "Theories and Practices of Neocorporatism," in T. Janoski, R. R. Alford, A. M. Hicks, and M. A. Schwartz, eds., *The Handbook of Political Sociology: States, Civil Societies, and Globalization* (New York: Cambridge University Press, 2005), 441–60.

[23] Martin and Swank, "Does the Organization of Capital Matter?"

[24] Employer surveys show that employer organizations are employers' number one source of information about public policy in corporatist Denmark, while the equivalents of these organizations in non-corporatist Britain play a much more limited role (Martin and Swank, "Does the Organization of Capital Matter?"). In Denmark, unlike in Britain, organization membership is also a significant predictor of employer participation in ALMPs (Martin, "Reinventing Welfare Regimes").

[25] Jochen Kluve, "The Effectiveness of European Active Labor Market Programs," *Labour Economics* 17, no. 6 (2010): 904–18; David Card, Jochen Kluve, and Andrea Weber, *What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations.* Working Paper No. 21431 (Cambridge, MA: National Bureau of Economic Research, 2015).

[26] Axel Cronert, "Unemployment Reduction or Labor Force Expansion? How Partisanship Matters for the Design of Active Labor Market Policy in Europe," *Socio-Economic Review* (forthcoming).

[27] Moira Nelson, "Making Markets with Active Labor Market Policies: the Influence of Political Parties, Welfare State Regimes, and Economic Change on Spending on Different Types of Policies," *European Political Science Review* 5, no. 2 (2013): 255–77; Tim

Vlandas, "Mixing Apples with Oranges? Partisanship and Active Labour Market Policies in Europe," *Journal of European Social Policy* 23, no. 1 (2013): 3–20; Markus Tepe and Pieter Vanhuysse, "Parties, Unions and Activation Strategies: the Context-Dependent Politics of Active Labour Market Policy Spending," *Political Studies* 61, no. 3 (2013): 480–504.

[28] Vlandas, "Mixing Apples with Oranges?"

[29] Nelson, "Making Markets with Active Labor," 264.

[30] Ibid., 265.

[31] Jane R. Gingrich, *Making Markets in the Welfare State: the Politics of Varying Market Reforms* (Cambridge: Cambridge University Press, 2011).

[32] A similar argument has been made for why center-right parties generally are more prone to contracting out the delivery of public service; see Anders Sundell and Victor Lapuente, "Adam Smith or Machiavelli? Political incentives for contracting out local public services," *Public Choice* 153, no. 3/4 (2012): 469–485.

[33] Gingrich, *Making Markets in the Welfare State*.

[34] Sundell and Lapuente, "Adam Smith or Machiavelli?"; Amos Zehavi, "Welfare State Politics in Privatization of Delivery: Linking Program Constituencies to Left and Right," *Comparative Political Studies* 45, no. 2 (2012): 194–219.

[35] Gingrich, *Making Markets in the Welfare State*; Zehavi, "Welfare State Politics".

[36] Martin and Swank, *The Political Construction*, 202.

[37] Dan Finn, "Welfare to Work after the Recession: From the New Deals to the Work Programme," in C. Holden, M. Kilkey, and G. Ramia, eds., *Social Policy review 23: Analysis and Debate in Social Policy, 2011* (Bristol: Policy Press, 2011), 127–46.

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[39] Jo Ingold and Mark Stuart, "The Demand-Side of Active Labour Market Policies: A Regional Study of Employer Engagement in the Work Programme," *Journal of Social Policy* 44, no. 3 (2015): 443–62.

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[41] TUC, *The Future Jobs Fund* (Trade Union Confederation, November 19, 2009; online at https://www.tuc.org.uk/research-analysis/reports/future-jobs-fund); TUC, *Work Programme is another expensive failure for DWP, says TUC* (Trade Union Confederation, November 6, 2014; online at https://www.tuc.org.uk/news/work-programme-another-expensive-failure-dwp-says-tuc).

[42] Sarah Neville and Jim Pickard, *Labour to take on outsourcing companies if it wins next election.* (Financial Times, June 24, 2014; online at https://www.ft.com/content/e21eda2c-f95f-11e3-bb9d-00144feab7de).

[43] Ingold and Stuart, "The Demand-Side of Active Labour".

[44] Detlef Jahn, "Changing of the Guard: Trends in Corporatist Arrangements in 42 Highly Industrialized Societies from 1960 to 2010," *Socio-Economic Review* 14, no. 1 (2016): 47–71; OECD, *LMP Database*.

[45] OECD, *LMP Database*.

[46] Torsten Svensson, "The Swedish Model of Industrial Relations." in J. Pierre, ed., *The Oxford Handbook of Swedish Politics* (Oxford: Oxford University Press, 2016), 612–627.

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Voluntary Organisations Faded from National Public Politics?" *Scandinavian Political Studies* 35, no. 3 (2012): 246–71.

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[49] Åsa Olli Segendorf, *Arbetsmarknadspolitiskt kalendarium II,* IFAU Rapport 2003:9 (Uppsala: IFAU, 2003).

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[52] Karin Ekenger, *Vad är egentligen det stora problemet med nystartsjobb? [What Is Really the Big Problem with New Start Jobs?]*, Blog post February 3, 2015 (Confederation of Swedish Enterprise, October 16, 2017; online at http://blogg.svensktnaringsliv.se/fokus-pa-jobben/vad-ar-egentligen-det-stora-problemet-med-nystartsjobb); Tove Nandorf, *Ylva Johansson får mothugg om nystartsjobben [Ylva Johansson Opposed about the New Start Jobs]* (Dagens Nyheter, October 16, 2017; online at http://www.dn.se/ekonomi/ylva-johansson-far-mothugg-om-nystartsjobben).

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[55] Martin and Swank, *The Political Construction*; Nelson, "Making Markets with Active Labor"; Nelson, "Revisiting the Role of Business".

[56] David Grubb and Agnès Puymoyen, *Long Time Series for Public Expenditure on Labour Market Programmes* (Paris: OECD Publishing, 2008), 5.

[57] Clasen et al., "Comparative Social Policy Analysis".

[58] Nelson, "Making Markets with Active Labor"; Cronert, "Unemployment Reduction or Labor Force Expansion?"

[59] Eurostat, *Labour Market Policy Statistics*.

[60] Jahn, "Changing of the Guard".

[61] Streeck and Kenworthy, "Theories and Practices of Neocorporatism".

[62] Alexander Hicks and Lane Kenworthy, "Cooperation and Political Economic Performance in Affluent Democratic Capitalism," *American Journal of Sociology* 103, no. 6 (1998): 1631–72; Alan Siaroff, "Corporatism in 24 Industrial Democracies: Meaning and Measurement," *European Journal of Political Research* 36, no. 2 (1999): 175–205; Martin and Swank, *The Political Construction*.

[63] Jahn, "Changing of the Guard".

[64] Jahn, "Changing of the Guard" reports that the correlation between his index and the indexes developed by Siaroff, "Corporatism in 24 Industrial Democracies", and Hicks and Kenworthy, "Cooperation and Political Economic Performance", are 0.76 and 0.79, respectively. Moreover, the index has 0.72 and 0.81 correlations with the *Employer organization* and *Macrocorporatism* variables developed and used by Martin and Swank, *The Political Construction*.

[65] Jelle Visser, *ICTWSS Data Base. Version 5.0* (Amsterdam: Amsterdam Institute for Advanced Labour Studies, 2015, October 1, 2016; online at www.uva-aias.net/nl/data/ictwss).

[66] Jahn, "Changing of the Guard".

[67] Jahn, "Changing of the Guard," 58. Appendix II reports a robustness check in which the

year-to-year version is used. Some precision is lost for a few coefficients, but the overall patterns remain the same.

[68] Klaus Armingeon, Christian Isler, Laura Knöpfel, David Weisstanner, and Sarah Engler, *Comparative Political Data Set, 1960-2014* (Bern: Institute of Political Science, University of Berne, 2016).

[69] Menzie D. Chinn and Hiro Ito, "What Matters for Financial Development? Capital Controls, Institutions, and Interactions," *Journal of Development Economics* 81, no. 1 (2006): 163–92.

[70] Supplementary analyses, not reported here, find no significant differences in the effects of center party and right-wing party influences on ALMPs.

[71] In another set of models, not reported here, the partisan variable is divided into three categories based on the seat share of center parties and right parties: 0–33%, 34–66%, and 67–100%. None of the models reports a significant difference between the latter two categories, which indicates that the relationship is not linear. As an extra robustness check, Appendix II reports a set of models in which the dichotomous variable is exchanged for a continuous variable on center-right influence in government. The estimates are largely coherent, but in some cases, precision is lower.

[72] Suzanna De Boef and Luke Keele, "Taking Time Seriously," *American Journal of Political Science* 52, no. 1 (2008): 184–200; Nathaniel Beck and Jonathan N. Katz, "Modeling Dynamics in Time-Series-Cross-Section Political Economy Data," *Annual Review of Political Science* 14, no. 1 (2011): 331–52.

[73] Appendix II reports a set of "partial adjustment" models (De Boef and Luke Keele, "Taking Time Seriously"), which impose (partly invalid) restrictions on the lags of all independent variables. The short-run effects of *Corporatism* are smaller but the overall patterns remain.

[74] Beck and Katz, "Modeling Dynamics in Time-Series-Cross-Section".

[75] De Boef and Keele, "Taking Time Seriously".

[76] Zach Warner, "Conditional Relationships in Dynamic Models" (paper presented at the annual meeting of the Society for Political Methodology, 2016).

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[78] Beck and Katz, "Modeling Dynamics in Time-Series-Cross-Section".

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[80] Martin and Swank, *The Political Construction*; Nelson, "Making Markets with Active Labor"; Vlandas, "Mixing Apples with Oranges?"

[81] Clasen et al., "Comparative Social Policy Analysis".

[82] Martin and Swank, *The Political Construction*, 27.

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[87] Martin and Swank, "Does the Organization of Capital Matter?"; Martin and Swank, *The Political Construction;* Nelson, "Revisiting the Role of Business".

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[89] David Rueda, "Left Government, Policy, and Corporatism: Explaining the Influence of Partisanship on Inequality," *World Politics* 60, no. 3 (2008): 349–89.

[90] Giuliani Bonoli, "The Political Economy of Active Labor-Market Policy," *Politics & Society* 38, no. 4 (2010): 435–457; Vlandas, "Mixing Apples with Oranges?"; Nelson, "Making Markets with Active Labor"; Cronert, "Unemployment Reduction or Labor Force Expansion?"

[91] Martin and Swank, "Does the Organization of Capital Matter?"

[92] Armingeon et al., *Comparative Political Data Set.*

[93] De Boef & Keele, "Taking Time Seriously".

[94] Visser, *ICTWSS Data Base.*

[95] Beck and Katz, "Modeling Dynamics in Time-Series-Cross-Section".