Political Exchange between Trade Unions and Governments in an Age of Austerity

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Abstract

Amidst the current debt crisis, Europe has witnessed a dramatic deterioration in government/union exchange. This deterioration is most apparent in the sharp rise in general strikes aimed against austerity measures. Traditionally, general strikes have been important collective action tools for unions to gain influence in social policy reforms, and have also served as a means for unions to punish governments electorally for unilateral reform. However, general strikes directed at deficit-reduction economic policies are a more recent phenomenon, emerging with increasing frequency amidst the current crisis. Here, we explore whether unions are less likely to secure concessions from governments, and whether governments incur greater vote share penalties after austerity-related general strikes. We expect austerity strikes to reveal a different pattern of political exchange between unions and governments than non-austerity related strikes because governments are under greater reform pressures and are more likely to act unilaterally. Using a logistic regression to examine how austerity influences government concessions in the wake of a general strike, we find that general strikes targeted towards immediate fiscal consolidation are unlikely to result in concessions from governments. Moreover the normal correlates of union success in general strikes - union unity and coalition majority government – are no longer significant. However, using a panel regression of 139 election years in the EU15 plus Norway, we also find that governments incur significant political penalties if general strikes targeting austerity occur during their tenure, while they receive no significant electoral penalties for non-austerity general strikes.

Introduction

During the 1990s, Europe witnessed a resurgence in government/union concertation as countries attempted to qualify for European Economic and Monetary Union (EMU). Such resurgence occurred even in countries that scholars believed lacked the institutional infrastructure necessary for corporatist exchange such as Italy and Spain (Baccaro, 2002, 2003; Molina and Rhodes, 2002). Best embodied by a rise in social pacts, bi-partite or tri-partite agreements revolving around welfare state reform and economic management, unions and governments across the European Union (EU) struck deals in order to control (wage) inflation and introduce consensus-based welfare and public-sector reforms that assisted countries with satisfying Maastricht's 3 per cent deficit rule (Fajertag and Pochet, 2000; Hancké and Rhodes, 2005; Hassel, 2003). One decade later, however, harmonious relations between unions and governments have almost collapsed. Social pacts continued to emerge in the EU15 (plus Norway) until the mid-2000s (see Figure 1), yet the frequency of such agreements plummeted amidst the 2008 financial crisis and the subsequent European debt crisis. Meanwhile, general strikes – defined as temporary, national work stoppages in multiple industries, directed against the government in its role as a legislator/policy-maker – have risen sharply as unions protest against (unilateral) welfare reform and austerity policies mandated by governments (Hamann, Johnston and Kelly, 2013a; see also Figure 1). The current economic crisis in Europe has placed significant strain on governments, especially those in peripheral EMU economies. Due to the urgency to calm market fears, and to fulfill the terms and conditions of EU fiscal assistance, governments no longer have maneuvering room to negotiate with unions on welfare reform and public spending. Rather, many have unilaterally pursued reforms in the name of fiscal austerity, abandoning concertation and prompting some to doubt unions' future in tripartite bargaining (Culpepper and Regan, 2014).

[Insert Figure 1 here]

How has the interaction between unions and governments changed during the austerity period? We explore this question by examining union and government exchange via general strikes aimed at fiscal consolidation economic policies[1], i.e. policies aimed at either raising taxes or cutting discretionary, public spending with the intention of *immediately* addressing fiscal deficits. While we consider general strikes on other issues, such as labour law, pensions, and welfare reforms that do not immediately lead to a reduction in the fiscal deficit, strikes directed at fiscal consolidation economic policies provide a convenient medium to examine political exchange between unions and governments during the current age of austerity for two reasons. First, these strikes are a form, and sometimes the only form, of union engagement with governments that pursue unilateral measures (spending cuts and tax increases) in times of fiscal crisis. Secondly, because the economic policies that lead to general strikes are potentially politically explosive, but perceived by governments and/or external funding bodies as economically necessary, they can serve as a rough proxy for the effectiveness of union collective action against austerity.

We focus on two aspects of union-government exchange related to general strikes against economic policy reforms. First, we assess the extent to which governments are likely to grant concessions in the wake of fiscal consolidation-based general strikes. Second, we analyze the electoral repercussions of fiscal consolidation-based general strikes for governing parties. Although recent research has indicated that government concessions to unions in response to general strikes have increased slightly between 1980 and 2010 (Hamann, Johnston, and Kelly, 2013b), we expect concessions to general strikes aimed at economic policies to be less likely than those directed at other social policy issues because governments are under greater fiscal consolidation pressures and hence may have less room to dilute their reforms. Using logistic regression analysis of 77 general strikes with known outcomes in the EU15 plus Norway between 1980 and 2009[2], we find that general strikes aimed at economic policies exhibit the lowest concession rates of all strike issues. However, though economic policy-based general strikes bode poorly for unions in term of outcomes, governments do not emerge unscathed from these forms of protest. Employing a panel analysis of 139 election years in the EU15 plus Norway between 1980 and 2012, we examine the correlation of economic policy related general strikes, non-economic policy general strikes, and social pacts on incumbent electoral outcomes. We find that non-economic policy strikes yield no significant correlates with electoral outcomes whereas economic policy general strikes are associated with significant declines in vote shares and re-election probabilities. In Section 1 we discuss union-government interactions in the context of austerity and set out our framework; section 2 describes our data and methods; section 3 presents our results and section 4 concludes.

Union - Government Relationships during Times of Austerity

Since the 2008 financial crisis and the ensuing period of economic austerity, all West European governments have embarked on measures to retrench public spending. Real wages declined between 2010 and 2012 in 10 of the EU15 as well as Norway (the exceptions were Austria, Finland, France, Germany, and Sweden) and unemployment in the EU15 rose from 7.1 per cent in 2007 to 10.6 per cent by 2012 (Busch et al. 2013). Although several countries used fiscal measures to try and boost demand – especially Denmark, Germany, and Sweden (see Bermeo and Pontusson 2012) – the austerity path of cutting public expenditure on employment and welfare had by 2010 or so become ubiquitous (Armingeon and Baccaro 2012; Crouch 2011).

Some literature on welfare reform has argued that governments have a strong incentive to negotiate reforms with trade unions for three reasons: first, general welfare spending enjoys high levels of support amongst the electorate and cuts in expenditure risk voter discontent and electoral costs for the governing parties (Brooks and Manza 2007). Second, in many West European countries trade unions were considered strong enough to mobilize disaffected voters, both union members and non-members alike, in protest demonstrations. Third, by securing the agreement of unions to potentially unpopular reforms governments would be able to diffuse responsibility for their implementation and thus avoid taking all of the blame from the electorate (Pierson 1994). Research shows that many governments did try to secure union support for unpopular policies through concertation, or social pacts, and their behavior was influenced by a number of variables including partisanship and clarity of responsibility (Avdagic et al 2011; Hamann and Kelly 2011; Jensen and Mortensen 2014). Governments that tried to enact reforms unilaterally rather than through social pacts often encountered union resistance in the form of general strikes (Hamann, Johnston and Kelly. 2013a) and these general strikes have been empirically linked to significant declines in vote share for incumbents (Hamann, Johnston and Kelly, 2013c). Others argue that when governments reduce public spending they not only engage in 'blame avoidance' but also attempt to 'claim credit' for enacting difficult and often unpopular reforms (Bonoli 2012). More nuanced analyses find that not all parties suffer similar electoral punishment. Schumacher et al. (2013) conclude that only parties that have a positive welfare image among voters lose electoral support after cutbacks, whereas those parties with a negative welfare image tend to gain votes after welfare retrenchment policies. Giger and Nelson (2010) demonstrate that religious and liberal parties in fact *gain* votes for retrenching social policies.

Does the logic of social pacts and blame avoidance still hold under conditions of prolonged economic austerity? Several factors suggest that blame avoidance policies may not be so easily applied to Europe's current age of austerity. Firstly, many of the most unpopular reforms, certainly in Southern Europe, have been externally imposed by the "troika" – the European Commission, the European Central Bank, and the International Monetary Fund – as conditions for the continued receipt of substantial loans. Governments in these countries could focus blame on these external forces, thus avoiding the need for internal, domestic measures of blame avoidance (Armingeon and Baccaro 2012; Bermeo and Pontusson 2012). Second, it could be argued that high levels of unemployment have begun to erode public support for high levels of public spending. If governments can persuade voters that public spending retrenchment is necessary in order to stimulate economic growth and cut unemployment, they may no longer require other policies of blame avoidance, such as social pacts. Indeed they may seek to claim credit for the pursuit of tough, austerity policies (Davidsson and Marx 2013). Third, it has been argued that unions throughout Western Europe have suffered a significant decline in power and legitimacy and are therefore no longer attractive to governments as negotiating partners to assist the implementation of unpopular reforms (Culpepper and Regan 2014). This reasoning would lead us to expect that governments could pursue fiscal consolidation without social pacts but avoid electoral penalties.

General strikes against governments: A silver lining for unions?

Despite a growing body of literature that documents unions' organizational and political decline (Culpepper and Regan 2014; Farber and Western, 2001; Lange, Wallerstein and Golden, 1995; Machin 2000; Wallerstein and Western, 2000), recent work suggests that unions have turned to new collective action tools in order to influence public policy and public spending. While economic strikes against employers have declined significantly since the late 1970s (Piazza, 2005; Sano and Williamson, 2008; Stokke and Thornqvist, 2001), general strikes have markedly increased in the EU15 (plus Norway) since the early 1980s. Defined as a work stoppage by workers in multiple industries against the government in its role as a legislator (Hyman, 1989: 17), there were 19 general strikes in the 1980s, 36 in the 1990s, 39 between 2000 and 2009, and 36 between 2010 and 2012 alone (Hamann, Johnston and Kelly, 2013a). These forms of protest serve as important instruments of collective action against politically contentious welfare reforms and public expenditure cuts, and enable unions to signal to the electorate the welfare-reducing nature of governments' policy proposals. Compared to work-based strikes directed against employers, general strikes have a greater capacity to resonate with non-union members, as the issues targeted, public expenditure and welfare reform, tend to be more universal than workplace bargaining issues (Davidsson and Emmenegger 2013; Rueda 2007; Tepe and Vanhuyse 2013). Moreover government concessions to unions in the wake of general strikes have remained remarkably constant between 1980 and 2009, with concessions offered in around 40 per cent of cases in each decade (Hamann, Johnston and Kelly, 2013b).

Though a growing literature has focused on the political determinants and outcomes of general strikes (e.g. Lindvall 2013), very little attention has been paid to how these political dynamics play out across different strike issues. Hamann, Johnston and Kelly's (2013a, 2013b) database highlight five reform issues[3] around which general strikes have been called; state pensions (including retirement age and contribution rates), labour law (bargaining structures, regulation of dismissals and redundancies, and non-wage issues such as work time), national wages (i.e. the minimum wage, government implementation of national wage freezes, and overtime rules and regulations governing holiday pay), welfare (unemployment, disability and sickness insurance), and economic policy (taxation, privatization, and spending cuts to public infrastructure, social services and non-social insurance programs). Figure 2 outlines the proportion of general strikes in a given time period that were called against these issues – these proportions will exceed 100 per cent for certain time periods, as general strikes can be called on multiple issues.

[Insert Figure 2 here]

In the 1980s, general strikes directed towards wages were most prevalent in the EU15 (plus Norway), likely the result of the significant wage adjustments that governments imposed in order to comply with fixed exchange rate arrangements under the European Monetary System's Exchange Rate Mechanism and the conversion to low inflation regimes (see Johnston, 2012). Strikes directed against economic policies, on the other hand, were infrequent in the 1980s, just 10 per cent of cases. Economic policy-based general strikes grew in prominence during the 1990s and 2000s, with over 30 per cent of general strikes targeted towards this type of issue. Once the 2008 financial crisis, and subsequent European debt crisis, set in, economic policy significantly dominated strike issues: of the 44 general strikes that occurred between 2008 and 2012, 35 of them, approximately 80 per cent, were based on grievances about government economic policy. The significant rise in economic policy-based strikes in Europe's new age of austerity is not particularly surprising given the considerable pressure governments find themselves under to pursue fiscal consolidation. Because this strike issue is so closely linked with austerity, it provides a convenient medium to reassess union-government interactions in a period of severe fiscal stress.

Predicting government and union interaction in an age of austerity

While all strike issues examined in the Hamann, Johnston and Kelly (2013a) database are politically contentious, economic policy issues may reveal different political interactions between unions and governments. First, in response to fiscal crisis, economic policies are one of the most immediate fiscal consolidation tools that governments can employ. Though a wide range of potential strike issues has been targeted by governments and the troika for austerity reform, economic policies have been strongly pushed given their link with discretionary (i.e. immediate) public spending and tax policies. Unlike pensions and other forms of social insurance, where contribution obligations limit governments' immediate capacity to cut entitlements in the present period[4], discretionary public spending and taxes can be altered immediately and applied to short term (3 years or less) deficit reduction goals. Because of their immediacy, fiscal consolidation economic policy issues may also serve as a proxy for austerity pressure, as their use suggests the governments are under significant short-term pressure to produce fiscal consolidation. If austerity pressure is high, with governments frequently being forced to resort to cuts in discretionary public spending and tax increases to assuage creditors' fears of debt repayment, it is unlikely that they will have much room for manoeuvre in negotiations with unions. This logic motivates our first hypothesis on union-government exchange in an age of austerity:

H1 If unions stage general strikes against fiscal consolidation issues, they should be less likely to obtain concessions from governments, relative to other issues.

From an electoral perspective, a second reason why economic policy-based strikes may exhibit different union-government dynamics is because economic policies tend to be more inclusive in nature than a number of other general strike issues. Of the five issues recorded in the Hamann, Johnston and Kelly (2013a) database, labour law reform often reflects labour market dualism. Changes to bargaining structures, dismissals and job security regulations, temporary work and working time issues frequently have more impact on labour market outsiders compared to insiders (Davidsson and Emmenegger, 2013; Emmenegger, 2009; Vlandas, 2013). Labour market insiders also have been identified as having greater access to state social security schemes (unemployment, sickness and disability insurance) and state pension systems, than labour market outsiders (see for example Lindvall and Rueda, 2013; Rueda 2007). Wages issues constitute a grey area in terms of who benefits most: whilst minimum wages certainly benefit workers in low-wage sectors, rules governing over-time and holiday pay are more likely to apply to workers in more secure and permanent positions. In contrast, income tax levels and spending on social services and public infrastructure are more universal, affecting both insiders and outsiders. Since economic policies apply to a larger proportion of the populace, and hence are likely to experience more universal opposition if governments significantly alter them to reduce fiscal spending, trade unions may have greater mobilization capacity with these types of general strikes compared to those targeting more "insider" issues. This greater mobilization capacity has the potential to produce more significant electoral effects for economic policy-based general strikes, which motivates our second hypothesis:

H2 Governments that witness economic policy-based general strikes under their tenure, as opposed to non-economic policy general strikes or no general strikes, incur greater vote share penalties at the subsequent national election.

Juxtaposing this hypothesis with our first hypothesis, we argue that while unions are less likely to demonstrate policy effectiveness through extracting concessions from governments, they can still indirectly influence governments' policies through their impact on the electorate.

Data and Methodology

We expect general strikes aimed at economic policies to reveal different political dynamics than those aimed at other issues as governments in the EU are under greater pressure to engage in deficit reduction during times of austerity. While our analysis below borrows from Hamann, Johnston and Kelly (2013b) for strike concessions and Hamann, Johnston and Kelly (2013c) for electoral outcomes, we distinguish between economic policy and non-economic policy strikes in order to determine whether these different types of strike issues reveal different associations with concession rates and electoral success and different patterns of predictors.

Government concessions in response to economic policy general strikes

Data on strike concessions originated from the Hamann, Johnston and Kelly (2013b) dataset on general strikes in Europe. The authors have data on 126 general strikes and strike threats[5] that have taken place in the EU15 (plus Norway) from 1980 to 2012 and directed at one or more of five policy issues (described above).[6] The dataset contains information about the strike issue in all 126 cases but problems in locating reliable data means there is information on strike outcomes for just 86 strikes. Because most of the missing strike outcomes data is for more recent strikes, those after 2009, we limit our strike concession analysis to the period 1980 to 2009. Of the 91 general strikes between 1980 and 2009, the authors possess outcomes for 77 and this information constitutes the final dataset for the current paper.[7] From the 77 strikes with outcomes data, major or minor concessions (which we combine into one variable due to the low presence of major concessions) were granted to unions in roughly 40 per cent of cases and the concession rates also increased slightly, but not significantly, between the 1980s, 1990s, and 2000s.

We used a logistic regression model, with country clustered standard errors, to examine the outcomes of strikes directed at economic policy relative to those directed at other issues. Control variables were as follows: government partisanship at the time of the strike (percentage of cabinet seats controlled by left or right (and liberal) parties, with Christian Democratic parties serving as the baseline category); economic indicators at the time of the strike (unemployment, GDP growth, and public debt as a ratio of GDP); whether the major union confederations within a country were united in calling the general strike (1 for yes, 0 for no); strike issue dummies for the five strike categories (strikes directed at pension reform served as the baseline category); and a stacked linear time trend to control for time effects. For the economic variables, only unemployment and public debt demonstrated a significant correlation with each other,[8] although the strength of this correlation was low and hence multicollinearity was not a significant problem. We also controlled for government type (coalition majority and minority governments, with single-party majority administrations serving as the baseline category), although we do not include these in the same regressions as the partisanship variables given significant multicollinearity (in the 18 strike cases when they are in government, Christian Democratic parties served in majority coalitions on 17 occasions). Partisanship data is taken from Swank (2006) and, for observations between 2007 and 2009, Armingeon et al (2011); data on GDP growth stems from the OECD (2013); and data on unemployment and national debt derives from the EU's Annual Macroeconomic database (2013). We took data on government type from

Armingeon et al. (2011) while data on confederal union unity came from the Hamann, Johnston, and Kelly (2013b) dataset.

We excluded several variables from our final results because they were either insignificant (trade union density, as well as a quadratic form of this variable, bargaining centralization, wage coordination, electoral competition variables, such as vote distance between the governing and opposition party, effective number of parliamentary parties, the timing of the strike since the previous election, and strike frequency measured as a 3 or 5 year moving average), or they were heavily endogenous and posed reverse causality problems. For instance we excluded social pacts from the analysis because post-strike pacts are often the mechanism through which concessions are discussed and agreed.

Economic policy general strikes and electoral outcomes

To examine the influence of general strikes against economic reforms on election outcomes, we use election years as the unit of analysis. Our panel of EU15 countries plus Norway from 1980 to 2012 includes 139 election years, with an average of 8.7 election years per panel.[9] We select two dependent variables to gauge associations between general strikes and electoral outcomes: the incumbent government's change in vote share since the previous election (Table 5, Models I-III) and a binary variable indicating whether the incumbent remained in power (1 for yes, 0 for no; Table 5, Models VI and V). For those serving in coalition, we define the incumbent party as that holding the prime ministership, in congruence with findings that voters tend to assign policy responsibility to the party with agenda-setting power and the largest vote share (Duch and Stevenson 2013), which is generally the prime minister's party. Data on changes in vote shares and incumbent turnover stem from Armingeon et al.'s Comparative Political Dataset (2012) and, for elections after 2009, the Norwegian Social Science Data Service's European Elections Database (NSD, 2013).

We employ both a fixed and random effects pooled OLS regression[10] (Table 5, Models I-III), with country clustered standard errors,[11] for the change in vote share dependent variable, and both a fixed effects linear probability model (Table 5, Model IV) and a conditional fixed effect logistic regression (Table 5, Model V) for the binary electoral victory indicator. Although linear probability models suffer from various estimation problems (residuals are rarely normally distributed for dichotomous dependent variables; heteroskedasticity is frequently present, although this problem can be rectified by robust standard errors; and the models can produce probabilities outside 0 and 1), we include it as an estimator for our binary variable because, unlike a conditional fixed effects logistic regression estimator, it preserves the entire sample, even if there is perfect separation, i.e. panels with all 0s or all 1s as outcomes over time.[12] In addition, results from linear probability models are easy to interpret because, unlike logistic regression, where results are presented in log odds, results are presented as linear probabilities.

For our main independent variables of interest, we select the average (annual) frequency of general strikes directed at economic policy and non-economic policy within an electoral cycle; 11 election years were preceded by economic policy related general strikes, with a total average frequency of 0.10 strikes per year in an electoral cycle, while 33 election years were preceded by non-economic policy general strikes, with a total frequency of 0.12 strikes per year in an electoral cycle. We also control for social pact frequency (the average annual number of pacts in a given national electoral cycle), as these events mark occasions of government inclusion of unions in social policy reform (Hamann and Kelly 2011) and have been found to be significantly associated with incumbent vote share gain (Hamann et al, 2013). Within our sample, 68 election years were preceded by social pacts, with an average frequency of 0.26 per year per election cycle. Data on general strikes stem from the Hamann, Johnston and Kelly (2013a; 2013b) general strike database, while social pacts data stem from the Hamman-Kelly pacts database. In addition to general strike and social pact frequency during the electoral cycle, we also controlled for the partisanship of the incumbent (using a left and right party dummy, with Christian Democratic/Center incumbents serving as the baseline), and the incumbent's vote share in the previous election order to account for possible incumbency biases of the electorate. Data on the incumbent's party and previous vote share stem from Armingeon et al.'s Comparative Political Dataset (2012) and, for elections after 2009, the Norwegian Social Science Data Service's European Elections Database (NSD, 2013). For economic controls, we included the average unemployment rate, inflation rate, real GDP growth rate and public debt to GDP ratios during the electoral cycle. In contrast with our strike concessions analysis above, unemployment and public debt were significantly correlated within the elections dataset,[13] suggesting possible problems with multicollinearity. However, when either is excluded from the regression model, the other fails to demonstrate significance; therefore we present both in the same regression model below to preserve space. Finally, to account for time effects within country electoral cycles (i.e. the possibility that incumbency gains could be persistently increasing or decreasing over time), we include a linear time trend.

Results

Government Concessions

Results for strike concessions are provided in Table 1 (we include only two models here for the sake of space, although results are strongly robust when a number of robustness checks are applied).

[Insert Table 1 here]

Estimates provided in Table 1 yield similar results to those in Hamann, Johnston, and Kelly's (2013b) original analysis. Left and right cabinets are less likely to provide strike concessions than Christian Democratic cabinets, while coalition majority governments are more likely to provide strike concessions than single party majority (and minority) governments. High GDP growth and high national debt significantly decrease the likelihood of concessions, whereas union confederal unity in calling a general strike significantly increases the likelihood of concessions. In regards to the strike issue (predicted probabilities of concessions, based upon Model I in Table 1), strikes directed at economic policy, as theorized, yield the lowest likelihood of concessions, although concession probabilities are not significantly different between economic policy, labour law and national wage issues, all of which demonstrate probabilities that are not significantly different from 0. For strikes directed at pension reform and welfare issues, on the other hand, unions possess a high, statistically significant probability of securing concessions from governments – for strikes directed at pension issues, unions have a 75 per cent chance of obtaining concessions, while for (social insurance) welfare issues, unions possess an 87 per cent chance of obtaining concessions (see Table 2). Such high concession likelihood may result from the fact that pension and welfare issues are not only well entrenched among the electorate (see Pierson, 1996) but also, particularly for pensions and some forms of social insurance, the difficulty in making immediate savings means that governments may be more willing to make short-term concessions in order to secure long term cost reductions.

[Insert Table 2 here]

Not only do strikes directed at economic policy yield low concession probabilities, they also exhibit interesting interactions with other political variables that significantly influence strike concessions. Because we employ logistic regression, which is a multiplicative model (and hence interactive) by nature, we assess interaction effects by examining predicted probabilities across the numerical range of variables rather than through a product term, as is customary through OLS.[14] While partisanship demonstrated no significant interaction effects with the economic policy strike issue dummy, both union unity and the majority coalition government dummies did display such effects. Regarding the former, on strike issues other than economic policy, confederal union unity significantly increases the probability of securing concessions from governments (see Table 3). However, if the strike issue relates to economic policy, both united and divided union confederations perform similarly, with probabilities of concessions that are not significantly different from zero (see the overlap of the confidence intervals of the fitted probabilities for economic policy strikes in Table 3).

[Insert Table 3 here]

Similar results emerge for the majority coalition dummy. Majority coalition governments are significantly more likely than single-party majority administrations to offer concessions to unions in the wake of a general strike, but only if the strike issue is unrelated to economic policy (see Table 4; minority governments do not perform significantly differently from either types of government given their broad confidence intervals, which is due to the small number of minority governments within our sample). If the strike issue pertains to economic policy, however, coalition majorities and single-party majorities behave similarly with very low concession rates (see Table 4, row 3). This suggests that economic policy issues completely eliminate the influence of union unity and coalition majority governments on strike concessions. Although these two determinants were discovered in previous analyses to predict significantly the likelihood of strike outcomes (Hamann, Johnston, and Kelly, 2013b), their effect appears strictly conditional on the strike issue, with strikes directed at economic policy fully blunting their influence.

[Insert Table 4 here]

Electoral outcomes

Results for the influence of non-economic and economic policy general strike frequency on electoral outcomes are presented in Table 5. The empirical results conform closely to those of Hamann, Johnston and Kelly (2013c) and Hamann et al (2013): higher social pact frequency and positive GDP growth are positively associated with vote share gains and re-election probabilities/odds. The results for general strike frequency, when dissected by issue, however, differ quite substantially. While Hamann, Johnston, and Kelly (2013c) find that the presence and frequency of general strikes are significantly associated with vote share declines for incumbents, our results indicate that, similar to the results for concessions, these associations are conditional on the issue. A higher frequency of general strikes on issues other than economic policy, surprisingly, shows no significant change in vote share compared to governments where the frequency of general strikes is lower. Rather, the significant association of strikes with electoral outcomes operates solely through economic policy issues. If an incumbent government experiences a one standard deviation increase in the annual frequency of economic policy related general strikes (0.50) within an electoral cycle, then based on results in Models I-III in Table 5, they will witness a 1.0 to 2.2 per cent decline in popular vote share and results from Model IV suggest a 4 per cent reduction in the probability of re-election.

[Insert Table 5 here]

As with strike concessions, the connection between general strike and electoral outcomes appears to be conditional on the nature of the issue: general strikes directed at economic policy lead to an electoral penalty for the incumbent government but strikes on other issues do not. There are several possible explanations for these results. First, there may be an endogeneity issue in that economic/austerity policy may simply be a more explosive issue for governments than reforms directed at other issues. Hence strikes tied to these issues will automatically be associated with more significant electoral decline than strikes tied to non-economic policy issues. Secondly, economic policy related general strikes may yield more significant electoral penalties than their non-economic policy counterparts because governments are unlikely to grant unions, and the general electorate, concessions in the wake of these strikes. We were unable to control for strike concessions in the electoral analysis because of the large number of missing observations, especially for the many post-2009 economic strikes, but it seems logical that if governments pursue deeply unpopular reforms with little input from unions or other social actors, then voters are likely to punish them at the ballot box.

Discussion and Conclusions

Our analysis suggests that although union and government exchange is at a current standstill in Europe's new age of austerity, governments and unions continue to influence each other indirectly, through collective action and its consequences. With their hands tied by the markets and/or external creditors, including the troika, European governments are for the most part refusing to negotiate with unions on economic policy and austerity reforms, as they unilaterally legislate unpopular measures despite an increased frequency of general strikes and other forms of social unrest. This is bad news for unions, whose prolonged organizational decline, coupled with their declining power in the wage bargaining realm vis-à-vis employers, is now compounded during the current crisis with their inability to secure political gains from governments. However, governments are not emerging unscathed from the enactment of unpopular reforms because they are suffering electoral costs from their fractious dealings with trade unions. Before 2008, incumbents in the EU15 (plus Norway) had an average vote share change of -2.51 per cent from one election to the next; between 2008 and 2012, this decline almost tripled to -6.21 per cent. Governments' unwillingness and inability to negotiate with unions as well as unions' effectiveness at using general strikes to mobilize opposition to austerity governments, suggests that union-government exchange has entered a period of "trench warfare". Both sides are dug in to entrenched positions from which they can inflict damage on each other but without realizing any political gains of their own. In other words, there are no clear winners emerging from Europe's fragmented and volatile political landscape and it is not easy to see how this situation might change. Governments don't have much to offer unions, and unions don't want to be held responsible for austerity policies, so the scope for concession trading seems minimal.

Figure 1: General Strikes and Social Pacts in Europe, 1980-2012

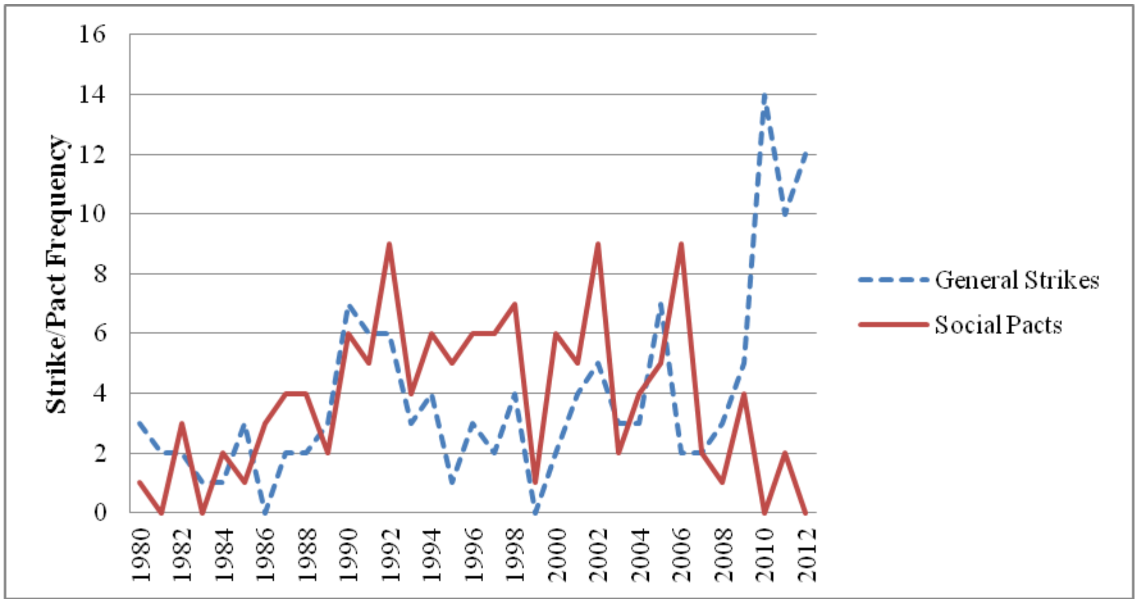
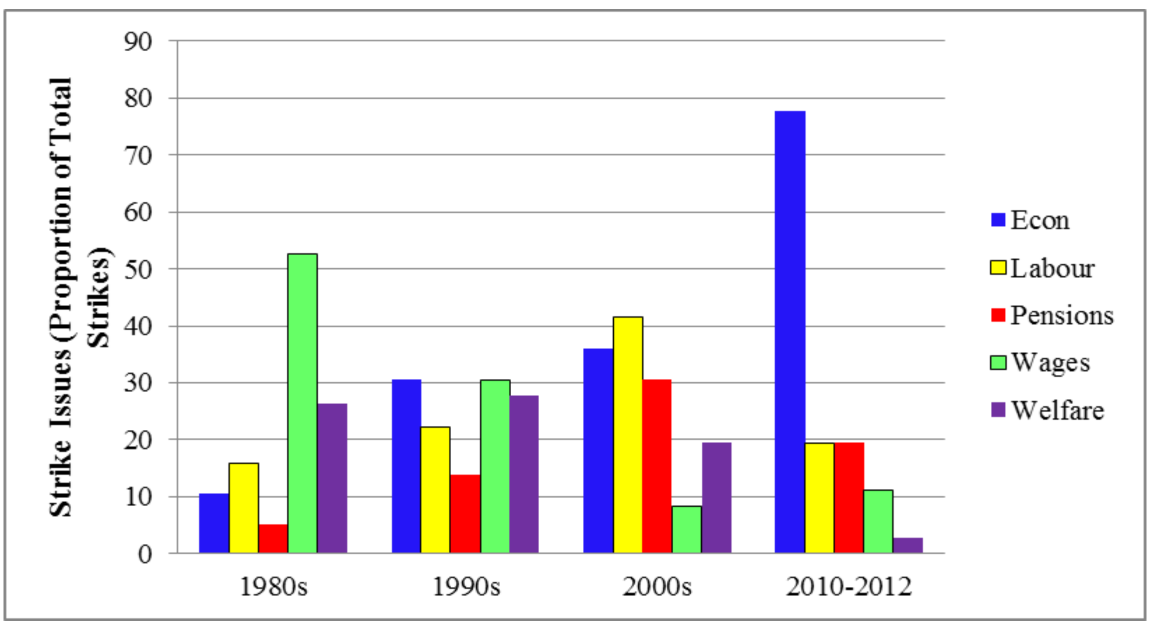


Figure 2: General Strikes in Western Europe by Issue, 1980-2012



Note: Some years sums of proportional strike issues exceeding 100per cent because strikes can embody multiple issues.

Table 1: Determinants of General Strike Concessions (1980-2009)

	I	II
Left Cabinet Seats	-0.097**	
	(0.021)	
Right Cabinet Seats	-0.090**	
	(0.023)	
Unemployment	-0.064	-0.161
	(0.634)	(0.235)
GDP Growth	-0.801***	-0.424**
	(0.000)	(0.026)
Debt to GDP	-0.054***	-0.036***
	(0.000)	(0.003)
Union Unity	3.887***	3.885***
(1=yes, 0=no)	(0.000)	(0.002)
Coalition Majority Gov't		2.006***
(1=yes, 0=no)		(0.001)
Minority Gov't		0.102
(1=yes, 0=no)		(0.917)
Strike Issue: Welfare	0.822	-0.813
	(0.392)	(0.303)
Strike Issue: Wages	-3.112	-2.731**
	(0.153)	(0.024)
Strike Issue: Labour Market	-3.065***	-1.572**
	(0.001)	(0.030)
Strike Issue: Economic Policy	-3.624***	-3.311***
	(0.001)	(0.000)
Constant	9.618***	2.739***
	(0.000)	(0.005)
Observations	75	75
Pseudo R-squared	0.609	0.4693

Dependent variable is the presence of strike concessions. Logistic regression with country clustered standard errors is the estimator used. Stacked time trend included but not shown. Pensions serves as the baseline issue category. Robust p-values listed in parentheses. *, **, and *** indicate significance on a 90per cent, 95per cent and 99per cent confidence interval.

Table 2: Predicted Probabilities of Strike Concessions

	Economic Policy	Wages	Labour Market	Pensions	Welfare
Probability of Concessions	**0.074** [-0.051, 0.199]	**0.118** [-0.320, 0.556]	**0.123** [-0.067, 0.313]	**0.751** [0.481, 1.020]	**0.873** [0.704, 1.041]

Predicted probabilities computed from Model I, Table 1. 95per cent confidence intervals in parentheses

Table 3: Interactions between economic strikes and union unity on strike concession (predicted probabilities)

	Fragmented Unions	United Unions
Non-Econ Policy Strike	**0.092** [-0.083, 0.267]	**0.832** [0.696, 0.968]
Econ Policy Strike	**0.003** [-0.004, 0.011]	**0.1166** [-0.116, 0.350]

Predicted probabilities computed from Model I, Table 1. 95per cent confidence intervals in parentheses

Table 4: Interactions between economic strikes and government type on strike concession (predicted probabilities)

	Single Party Majority Government	Majority Coalition Government	Minority Government
Non-Econ Policy Strike	**0.284** [0.086, 0.481]	**0.746** [0.583, 0.910]	**0.305** [-0.110, 0.719]
Econ Policy Strike	**0.014** [-0.005, 0.033]	**0.097** [-0.023, 0.217]	**0.016** [-0.015, 0.046]

Predicted probabilities computed from Model II, Table 1. 95per cent confidence intervals in parentheses.

Table 5: Associations between economic policy related general strikes and electoral outcomes (1980-2012)

	Change in Vote Share			Binary Incumbent Win	
	FE OLS Panel	**FE OLS Panel**	**RE OLS Panel**	**FE LPM**	**Clogit**
Previous Vote Share	-0.299***	-0.321***	-0.222***	0.007	0.027
	(0.002)	(0.001)	(0.001)	(0.273)	(0.418)
Left Incumbent	0.904	0.114	0.418	0.000	-0.034
	(0.443)	(0.916)	(0.644)	(0.999)	(0.944)
Right Incumbent	2.119	1.563	1.056	0.067	0.186
	(0.125)	(0.333)	(0.358)	(0.566)	(0.747)
Economic Policy General	-4.374***	-3.040***	-2.138**	-0.080*	-0.450*
strikes (average per year)	(0.000)	(0.002)	(0.017)	(0.082)	(0.056)
Non-Economic Policy General	-1.588	-1.324	-0.904	-0.18	-1.178
strikes (average per year)	(0.256)	(0.422)	(0.435)	(0.413)	(0.354)
Accepted Social Pacts	3.780*	3.494**	2.075*	0.179*	1.080*
(average per year)	(0.082)	(0.021)	(0.083)	(0.096)	(0.073)
Inflation		0.174	0.078		
		(0.418)	(0.486)		
Unemployment		0.140	-0.156		
		(0.641)	(0.233)		
GDP Growth		1.359***	1.215***		
		(0.003)	(0.001)		
Government Debt		0.013	0.008		
		(0.786)	(0.654)		
Constant	7.671*	1.75	2.226	0.373	
	(0.051)	(0.770)	(0.512)	(0.184)	
Number of Observations	138	133	133	138	124
R-squared (overall)/Pseudo R-squared	0.2315	0.3266	0.3609	0.0337	0.0569
F/Chi-squared statistic	81.49***	174.14***	2456.59***	13.03***	61.42***

Sample consists of election years from 1980 to 2012 for the EU15 plus Norway. Estimator used and dependent variable indicated above the respective column. Time trend included but now shown. For fixed effects estimators, N-1 country dummies included but not shown. Robust p-values are in parenthesis (standard errors clustered by country). *, **, and *** indicate significance on a 90per cent, 95per cent and 99per cent confidence level.

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Endnotes

[1] In this paper, we use the terms "economic policy-based general strikes" and "fiscal consolidation general strikes" interchangeably.
[2] We are still assembling data on the outcomes of more recent general strikes.

[3] The Hamann, Johnston Kelly (2013a, 2013b) also includes an “other” issues category which includes three general strikes; two in Italy and Spain in 2013 called against government’s involvement in the Iraq War, and one in Greece in 2005 contesting the timing of May Day. Because these strike topics do not conform to the general topic of policy reform, and do not exhibit regular frequency in the database, we dropped them from the analysis.

[4] Of course, governments can reduce entitlements in future periods, but these must be phased in, providing moderated respite for short term deficit reduction targets. Such developments can even be witnessed in Greece, upon which some of the most severe austerity policies have been imposed; the rise in the effective retirement age by two years (to 63.5) will not happen until 2015, and adjustment in the normal retirement age to reflect developments in life expectancy will not be made until 2021 (Busch et al, 2013; 17).

[5] We include threats of general strikes in our analysis of government concessions because threats are an integral and well researched aspect of negotiations. We exclude them however from our analysis of electoral consequences on the grounds that threats are far less visible to the electorate than actual strikes and therefore unlikely to have the same kind of effect.

[6] Hamann, Johnston, and Kelly use a variety of sources to compile their dataset including the *European Industrial Relations Review (EIRR)*, the *European Industrial Relations Observatory (EIRO),* the Protest and Coercion Database at the University of Kansas, and monographs and edited collections on national policy reforms that can provoke general strikes, e.g. Immergut et al., 2007, on pension reforms in Western Europe.

[7] Hamann, Johnston and Kelly’s (2013b) original analysis possessed data for only 75 strikes during this time period, but given recent updates to the database, 2 additional strike outcomes have been coded for strikes in 2009.

[8] Pair-wise correlation coefficient of 0.194, p-value=0.091.

[9] Because we are interested in how voters respond to government policies at the ballot box, we do not consider changes in governments between elections or shifts to technocratic governments.

[10] While the use of fixed effects is ideal to control for unobserved panel variables with little variation over time (such as welfare regimes, electoral systems, models of capitalism, etc.), their presence can absorb a significant amount of level effects within the dependent and independent variables (see Kittel and Winner, 2005; Plümper et al., 2005). Although our dependent variable in the OLS pooled regression and our main independent variables of interest were largely stochastic within panels, we also used a random effects estimator to verify that our results were not contingent on the inclusion of fixed effects.

[11] A Wooldridge test statistic for first-order autocorrelation from Model I, Table 5 (1.472, p-value=0.244) indicated that we could not reject the hypothesis that there was no first-order autocorrelation – the lack of auto-correlation was likely the result of selecting a difference for our dependent variable. Tests for panel heteroskedasticity (Chi-squared statistic of 45.59, p-value<0.000, from a likelihood ratio test from Model I, Table 5), however, yielded significant results, indicating a high likelihood of panel heteroskedasticity within the model.

[12] This is problematic for our Italy (where incumbent party never won re-election) and Luxembourg (where the incumbent party always won re-election) panels during our 1980-2012 time period. In a conditional fixed effects logistic regression model, these panels are dropped, and hence the sample is restricted.

[13] The pairwise correlation coefficient between average unemployment and public debt for the elections data was 0.419, p-value<0.000

[14] Berry, DeMeritt and Esarey (2010) outline that a product term is neither necessary nor sufficient to examine meaningful interactions between variables in logistic and probit regression.