Organized labor is usually viewed as an obstacle to labor market adjustment. But unions' responses to adjustment programs in fact range from militant opposition to acquiescence or even explicit cooperation. Three sets of variables shape these responses: the strength and characteristics of the union movement itself; economic cycles; and political institutions and their ties to unions.

- **Strength of the labor movement:** In industrial democracies, an aggressive stance on wages tends to be associated with moderately strong unions. Small or weak unions are less militant, as might be expected; more surprisingly, large and powerful unions also tend to be more moderate, primarily because of their greater participation in consultation and decisionmaking at the national level. The experience in developing countries is somewhat different: only a few of these have strong labor movements, and among these, militancy is common. The large share of wage labor in the public sector complicates comparisons with industrial nations, since governments as employers clearly behave differently from private employers, particularly in hard times.

- **Economic cycles:** Depression almost invariably reduces militancy in developing as well as industrial nations.

- **Political institutions:** The nature of the political regime—democratic or authoritarian—is only roughly associated with how governments handle labor relations, and correspondingly with the options available to unions. More important in shaping unions' behavior are the nature of the political party system and how unions are connected with parties. The conditions needed to gain workers' cooperation are analogous to those which encourage business to invest: political stability, a voice in policy that affects their
interests, and, arising from these, the confidence that current sacrifices will ultimately yield a fair share of future benefits.

In developing as in industrial countries, the probable response of labor unions is crucial to government decisions about wages, prices, and employment. Organized labor is usually seen as a potential obstacle to labor market adjustment, a source of rigidities impeding shifts in relative wages and reallocation of labor among sectors, and a center of resistance to stabilization measures that entail compression of demand. Yet in some countries, labor federations have cooperated with the government and private employers to facilitate adjustment. What makes organized labor confront or cooperate, and what empowers it to slow or stall attempts to increase labor market flexibility? What political circumstances and approaches have persuaded organized labor to acquiesce in such attempts in the past?

Both theory and evidence on these questions are fragmentary, and partly because of poor data, much of the literature on organized labor in developing nations is too descriptive and narrowly focused to provide an adequate basis for comparative analysis. Most of the analytic and comparative research appropriate for the purpose is based on experience in industrial democracies. This article therefore reviews key findings from research on industrial countries and considers the extent to which they are relevant to developing nations. The focus is on two categories of variables that affect labor militancy: the size, strength, and structure of the union movement itself, and the economic cycle. The discussion then turns to how political institutions and stability shape union behavior.

Union Structure and Union Militancy

Classic theory assumes that free play of market forces will ensure flexibility in labor markets and that decentralized wage bargaining should restrain wage increases. Conversely, one expects strong unions and centralized wage bargaining to be associated with comparatively rapid growth of real wages in the organized sectors and with relatively high levels of unemployment. Indeed, one influential line of analysis argues that over time, powerful organized interest groups (including but not confined to labor unions) may lead to such rigidities, such inability to adapt to changing circumstances, as to cause the decline of great powers (see Olson 1982).

Evidence from Industrial Democracies

Recent research on labor movements in advanced industrial democracies poses puzzles for these assumptions. This research finds that during the 1960s and 1970s countries with large, highly centralized union movements tended to experience low wage push, low unemployment, and low inflation. Moreover,
strike activity (as a measure of union militancy) was negatively correlated with strong labor movements and highly centralized wage bargaining. Cameron’s (1984) findings are an example. He developed five indices of the power of organized labor in eighteen industrial nations, using data from 1965 through the early 1980s. The indices measured union membership relative to total labor force, concentration or fragmentation of union confederations, their power in collective bargaining, the scope of such bargaining, and the extent of arrangements for worker participation in decisions at the firm level (such as works councils and worker representation on company boards). Cameron found that each of these indices correlated negatively with strike activity, levels of unemployment, increases in both nominal and real earnings, and consumer prices between 1965 and 1982. Some of the correlations—with the organizational unity of labor and workers’ participation in decisions in particular—were strong (Cameron 1984, table 7.7).

More recent studies suggest that the relationship between centralized wage bargaining and militant wage demands may be humpbacked (shaped like an inverted U) rather than monotonic (decreasing steadily). Wage push is least evident where bargaining is highly decentralized (conducted largely at the level of individual firms), and where it is highly centralized; wage pressures seem strongest where bargaining is moderately centralized (at the sector or industry level). Calmfors and Driffill (1988, pp. 17–24) find a humpbacked relation between centralization—defined as “the extent of inter-union and inter-employer cooperation in wage bargaining with the other side”—and several indices of employment and inflation. Freeman (1988) uses the degree of wage dispersion across industries as a strong indicator of market structure and finds that countries with very high or very low dispersion, which are usually the countries with highly centralized or highly decentralized bargaining in their labor markets, have increased employment more rapidly and wages less rapidly than countries with intermediate degrees of centralization.

What mechanisms are at work here? Two different explanations are offered for these empirical findings. Calmfors and Driffill see shifts in incentives (rational expectations about gains and losses) as the principal impetus for intransigence in negotiations, depending on the degree to which wage bargaining is centralized. When bargaining is conducted at the firm level, unions have little market power. An increase in wages is likely to bring a large drop in employment, because the isolated firm cannot raise output prices and remain competitive. The market power of unions increases if wage bargaining is conducted at the industry or sector level. But as the centralization of wage bargaining increases, greater power must be balanced against greater risk that wage gains will affect price levels, thus eroding the real value of nominal wage hikes. Increased centralization on the union side of the negotiating table usually goes along with correspondingly increased centralization on the employer side, and employers also face shifting incentives for resisting or accommodating union demands at different levels of aggregation. The outcome is a nonmonotonic or
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a principal incentive to cooperate in such a case.) Recognition of broader national interests encourages acquiescence in policies of wage restraint, to promote national economic stability and growth and thereby sustained employment and gradually rising real wages. Negotiating wage agreements at the national level also means that individual unions have less scope and need to worry about losses relative to other unions.³

In several of the smaller Northern and Western European nations, labor's cooperation with broader economic policies reflects the clear recognition that nations highly dependent on trade must maintain international competitiveness (Katzenstein 1985). To take one illustration, in Belgium in February to March of 1982, labor agreed to skip an automatic indexed increase in wages following devaluation and to replace later indexed rounds with lower lump-sum wage adjustments to reach an agreed degree of deindexation. Further real wage increases were banned through 1984 and thereafter regulated by a norm of competitiveness taking into account the weighted average of Belgium's seven most important trade partners (see Theo Peters in Williamson 1985, p. 99).

The following section will argue that virtually no developing country approximates the labor organization and wage negotiation arrangements of the corporatist model. But the principles that make the model work will prove useful in understanding problems of labor relations and labor market reform in developing nations, and they may suggest broad guidelines for improved labor relations. In essence, corporatist institutions affect the range of information and options available to all parties in the negotiations and thereby alter incentive structures. More specifically, they (1) broaden the array of options under negotiation to include a wide range of social policies along with wage and non-wage compensation; (2) lengthen time horizons, largely by increasing confidence both in government economic management and in labor's continued access to decisions affecting its interests; and (3) increase the sophistication and complexity of economic implications taken into consideration by union, business, and government representatives.

Corporatist labor market arrangements cannot be replicated in most developing nations, in part because the structure of labor markets and the larger economy bear no resemblance to the usually small industrial democracies in which these arrangements have evolved, and in part because the arrangements have grown out of historical features quite unlike those of most developing nations. Moreover, most developing nations cannot afford the employment benefits and other social benefits that are key elements in the corporatist bargain. Indeed, in some developing countries the attempt to provide organized workers—a relatively small fraction of the labor force—with generous benefits modeled on those of industrial nations has contributed to both economic difficulties and social tensions.

For all these reasons the corporatist model is not a practical blueprint for emulation, though there may be a few developing countries that could evolve along those lines. Rather, it is a heuristic model that elucidates some of the
mechanisms and relations that have helped some nations channel the self-interest of a sizable and well-organized interest group in ways compatible with broader national interests. Where similar arrangements are unlikely to emerge, functional equivalents are needed—-institutions, procedures, and policies that broaden the array of options, lengthen time horizons, and increase the sophistication of all key actors in labor markets.

Applicability of the Evidence to Developing Countries

Virtually no developing country replicates the features of the prototypical strong corporatist system with respect to labor. In many of the countries of Northern and Western Europe, unions claim as members two-thirds or more of the work force. Reliable and comparable data on union membership are missing for most developing countries, but those for which data are available suggest a span ranging downward from about a third of the labor force. In the mid-1980s Argentine and Venezuelan unions claimed about a third of the labor force, Jamaican unions a quarter, Mexican unions roughly a fifth. Outside Latin America, save for Mauritius and Sri Lanka (both with roughly a third of the labor force unionized), union membership is much lower. Some of the most industrialized (and rapidly industrializing) developing countries, above all the East Asian “tigers,” have in varying degrees repressed union movements.

Even the comparatively large union movements in some Latin American countries do not usually have the additional characteristics of strong centralized movements. In Brazil and Mexico, for example, rivalries among confederations are strong. The power of Mexico’s largest confederation, the Confederation of Mexican Workers, is reduced, quite aside from the effects of aging leadership, by its structure: average union size is small (about 130 members), and less than half of the confederation’s members are in powerful industrial unions such as railroads, petroleum, or mining. Nearly half are in enterprise-level unions, which are in turn parts of functionally diverse, regionally based federations. The Confederation of Mexican Workers must often compete with rival confederations active in the same geographic areas, and the government can manipulate these rivalries to undermine the confederation, as the government of Miguel de la Madrid did in 1983. Therefore it is extremely difficult to coordinate labor action within an industry. Mexican unions rarely have strong representation, such as works councils, at the enterprise level (Middlebrook 1989, pp. 209–17). Similar weaknesses plague labor movements in many other countries. In short, few if any developing countries have labor movements able to play their side of the corporatist strategy in labor market policies.

If data were adequate to develop indices of union strength and centralization of wage bargaining for most developing nations, virtually all would fall in the low and moderate segments of a global scale arraying labor movements from weakest and least centralized to strongest and most centralized. (These dimen-
sions do not necessarily covary neatly.) Both classic liberal expectations and the forecasts of recent proponents of a humpbacked relationship based on the experience of industrial nations predict little militancy and wage push at the low end of this scale and greater militancy and wage push toward the center.\(^5\) Evidence from developing countries accords with these expectations.

Walton and Ragin (1988, table 10.3) found a strong correlation between the proportion of the labor force in unions (as of 1975) and the severity of protests against austerity between 1976 and 1987 in twenty-six countries in Latin America, Africa, and Asia. In many developing nations, labor movements are not only a small part of the labor force but are also weak and fragmented. Strikes (especially wildcat strikes) may be quite frequent but are likely to involve few workers and have little effect on broader wage levels. But unions in some developing countries are strong enough to exercise considerable wage push in particular sectors or industries. Unions in strategic sectors may exercise tremendous economic and political leverage, even if the labor movement for the nation as a whole is not strong. Copper miners in Chile and Zambia, tin miners in Bolivia, oil workers in Mexico, Nigeria, Venezuela, and other countries, and, to a lesser degree, bauxite and alumina workers in Jamaica have been in a position to throttle a large fraction of national export earnings and government revenue. They have often used their leverage to maintain wages markedly out of line with the rest of the economy, with a variety of distorting effects on the industry and the economy as a whole. In Mexico, despite the pattern of incorporation of Mexican labor confederations, especially the Confederation of Mexican Workers, their exclusion from economic decisions under the de la Madrid government, and their inability to block massive drops in real wages, certain Mexican unions were able to block government reforms. For instance, the powerful petroleum union used threats of sabotage and massive resistance to force the government to back down on its plans to eliminate the union’s control over subcontracting as part of a rationalization scheme. In a few developing countries with sizable industrial sectors, including several Latin American nations, Turkey, and Tunisia, not merely unions in strategic industries but labor movements more generally have periodically been militant, wielding considerable economic and political clout. In the framework of theories based on industrial democracies, these countries fall somewhere in the central range of the scale linking centralization to militancy and wage push: their militant behavior conforms with the hypothesis of a humpbacked relation.

A further characteristic of unions in developing countries may encourage a tendency toward militancy. Both the corporatist theories and Calmfors and Driffill’s theory of union bargaining strategies implicitly assume unions have considerable analytic capacity to assess the implications for labor of current economic trends and alternative wage settlements. Few industry-level unions or national confederations in developing countries have economic staffs comparable to those in Western European countries. Moreover, available data are often unreliable, and analysis and forecasting are particularly difficult where inflation
and other aspects of economic performance are highly volatile. The result may be to increase uncertainty and risk associated with wage restraint and reduce the attractiveness of trading off wage increases for social welfare benefits.6

One other important aspect of the structure of labor movements in developing countries is that the proportion of the labor force in public service jobs is much higher than in most industrial democracies (see table 1). In several African nations public sector workers made up 60 to 80 percent of nonagricultural workers; in India the figure was 72 percent (Heller and Tait 1984, table 22).

The high proportion of wage labor in the public sector means that the sector's wage and employment policies are important both in their own right and also because of spillover effects into the private sector. Heller and Tait (1984, p. 35) estimated that "central government decisions on wages and salaries in developing countries are likely to affect 15 to 40 percent of employed workers in the urban labor market and therefore have a pervasive 'leverage' effect on domestic unit wage costs."

How do large public sectors affect wage push and employment flexibility? The topic is little studied. Two questions are central: Are public sector unions intrinsically weaker (or stronger) than their private counterparts? And does government, in its role as employer, operate with different goals and constraints than do private employers? The answer to the first question is ambiguous. The answer to the second is clearly affirmative.

Public sector workers in industrial societies are often assumed to be in a weaker position to exert wage pressure. Historically, they have often been re-

<table>
<thead>
<tr>
<th>Category of countries</th>
<th>Number of countriesa</th>
<th>Central government</th>
<th>State and local</th>
<th>Nonfinancial public enterprises</th>
<th>Total public employment</th>
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<tr>
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<td>8.7</td>
<td>11.6</td>
<td>4.1</td>
<td>24.2</td>
</tr>
<tr>
<td>Developing countriesb</td>
<td>35</td>
<td>23.4</td>
<td>4.0</td>
<td>13.9</td>
<td>43.9</td>
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<tr>
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<td>16</td>
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<td>2.1</td>
<td>18.7</td>
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<tr>
<td>Latin America</td>
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<td>20.7</td>
<td>4.2</td>
<td>5.5</td>
<td>27.4</td>
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OECD, Organisation for Economic Co-operation and Development.

Note: Data are from 1979 or 1980.

a. The number of countries shown for each category is that for which data were available on central government employment. Not all countries had data for each category of workers, and the number of observations therefore varies somewhat within each country category for different items.
b. This category incorporates data for a few countries in the Middle East.

Source: Adapted from Heller and Tait 1984, table 1.
stricted from forming unions. Even where employees’ associations are legal and large, many categories of public sector workers are legally barred from striking and risk dismissal and arrest if they do strike. Their position is weaker still if opportunities for alternative employment in the private sector are extremely limited, as is true in many of the poorest countries.

To balance these handicaps, do public sector workers and their associations have leverage that private workers do not? Freeman (1986, p. 42), discussing state and local government unions in the United States, argues, “A fundamental difference between public and private sector collective bargaining is that public sector unions, more so than private sector unions, can influence...employer behavior through the political process.”

But it is not clear why this should be so. Public sector workers may indeed form voting blocs or lobby or demonstrate for their demands. But so may organized private sector workers. Strikes, work stoppages, or slowdowns in vital public services hold the public hostage, generating strong political pressure on the government to hasten a settlement. But the outcome may be repression rather than concessions to the strikers, depending on the political circumstances and particularly on the degree of public sympathy with the strikers.

A more convincing argument is based on patronage ties between politicians and public sector workers. Patronage implies a reciprocal commitment: the exchange of jobs for political support. Many national and local politicians have built up their support bases primarily through this mechanism. Sharp declines in real wages and, even more clearly, large-scale reductions in the work force mean the disintegration of support coalitions. In Africa, moreover, patronage often has tribal overtones and is endorsed, indeed mandated, by the strong traditional expectation that a “big man” protects and advances his ethnic brothers. A severe wage squeeze or extensive firings betray that trust.

Comparisons of public and private sector wage levels in developing countries offer ambiguous evidence as to whether public sector workers (and their unions or associations) are handicapped or advantaged. Any such comparisons must be approached with caution. Workers’ compensation packages are complex, including base pay, varied bonuses, and nonwage compensation such as subsidized housing, insurance, and other benefits. And it is hard to control across sectors for differences in education and skill composition. There may also be important contrasts between the wages and security of civil servants and those of workers in state enterprises or local government. Ehrenberg and Schwarz (1986), in their review of U.S. research on the issue, note considerable evidence that the relative wage gap between union and non-union workers is smaller in the public than in the private sector, but they go on to suggest several considerations that cast doubt on the finding. Comparing public to private employees (without considering the union versus non-union dimension), they note that U.S. federal government workers are paid somewhat better than comparable private sector workers; this is particularly clear for women and for non-white males. The finding holds, but less strongly, for state and local employees,
except perhaps for male local government workers. Taking into account non-wage compensation (which most studies ignore) would probably strengthen these findings.

For what they are worth, the "stylized facts" turn up geographical differences. In some Latin American countries in the mid-1980s, public sector workers seem to have been somewhat less well paid than their private sector counterparts (Lopez and Riveros 1989, Riveros and Sanchez 1990). In Sub-Saharan Africa in the postindependence decades, public sector workers tended to be substantially better paid, but during the 1980s real wages in the public sector fell dramatically, perhaps erasing or even reversing their earlier advantage (Lindauer, Meesook, and Suebsaeng 1988). The regional contrasts are probably attributable more to differences in the relative weight of public and private sector unions than to variation in the militancy of public sector unions. Private sector unions are large and important in a number of Latin American countries, presumably driving up private sector wage levels at least in highly unionized sectors; in Africa employment and unions in the private sector are much less important relative to their public counterparts. 7

More broadly, it is surely the behavior of governments as employers more than the behavior of unions that distinguishes wage determination in the public sector from processes in the private sector, above all during hard times. Governments do not have to cope with profit and loss sheets but instead are constrained by fiscal and monetary considerations. Recession and fiscal crisis pit pressure from public sector workers to maintain wages and perquisites against political pressures for other uses of public funds. Trends in personnel costs as a percentage of total public expenditures could be viewed as a rough measure of the political priority accorded to public sector workers. In most of Latin America and Africa in the 1980s, that percentage rose substantially. Under intense fiscal pressure, maintaining public employment has been given very high priority; indeed, especially early in the crisis, governments often tried to hire countercyclically (Lopez and Riveros 1989, p. 20; Riveros and Sanchez 1990, p. 35). As the need for long-term reform became inescapable, a few governments laid off large numbers of workers, but most such cases entailed generous compensation. Ghana, for example, paid the equivalent of roughly two years' total compensation to workers stripped from the notoriously overstaffed Cocoa Board. Guyana cut almost a quarter of its civil service and public enterprise workers but awarded severance pay so large that the government had to borrow heavily to cover the costs (Nunberg 1988, pp. 9–11). Buffering lower-paid workers has also been stressed: not only have average real wages in the public sector dropped sharply, but, especially in Africa, differences between the highest- and lowest-paid workers have been cut dramatically. Union pressure obviously played a role in these patterns. But more fundamentally, the patterns reflected the different incentives and constraints motivating governments as employers, in contrast to those governing the actions of private employers.
The Economic Context and Labor Militancy

The most plausible and best-supported proposition about the effects of economic cycles on organized labor is that bargaining power and militancy decline in hard times and increase in prosperity. Strikes vary with economic cycles: when labor markets are slack and protracted unemployment looms, unions often consent to wage regulation; conversely, good times make labor more aggressive (see Lange 1984 and Kennan 1986). Labor militancy is likely to have higher payoffs in tight labor markets, and widespread wage drift (induced by workers or employers) and other forms of noncontracted gains are more probable. For instance, in Norway's postwar history of wage regulation, breakdowns were most likely during periods of rapid economic growth. Conversely, Epstein's analysis (1988) of union responses to official austerity programs between 1976 and 1984 in seven Latin American countries with large and important labor movements found fairly strong statistical links between rising unemployment and fewer and smaller strikes.

The rapidity with which workers' priorities shift, during economic crises, from maintaining real wages to protecting their jobs tends to reflect the history of economic growth in the country in question. "The longer the time since the last structural crisis, the more workers are likely to expect that strong economic conditions ... will continue, and that downturns will be only temporary" (Lange 1984, p. 117). In Costa Rica, for example, the economic tailspin of 1979–82 broke a virtually uninterrupted span of growth from the early 1960s. After Alberto Monge's government's remarkably effective stabilization effort of 1982–83 had clearly taken hold, popular pressure to restore real incomes to their precrisis peak mounted rapidly.

Lange's discussion of the rational bases of workers' consent to wage regulation adds one modification that is important for our concerns. Although pessimism about short-term economic prospects usually encourages cooperation with wage regulation, the effect is less predictable when labor confronts "structurally bleak prospects."

On the one hand, it might be thought that workers would be strongly inclined to regulate wages, for they would think that failing to do so would condemn the national economy to sustained recession or even depression, and their own wages to real decay. On the other hand, the bleak economic prospects might lead workers to think that there is little to be gained by restraint—things will not get better anyway without major disruptions to their economic lives—and that it is therefore best to try to get as much as possible while it can still be had (Lange 1984, p. 115).

Lange argues further that, in such situations, a key variable shaping workers' behavior is whether they believe that "the fruits of their restraint will redound to their future economic advantage." This perception, in turn, rests on the credibility of the government's broader recovery program and on implicit or
explicit assurances that their interests will be protected during industrial restructuring. In short, when the long-term economic outlook is grim, political relationships and expectations become much more important in determining labor's responses.

Political Structure, Labor Militancy, and Labor Influence

Power is relational. The strength of governments, their attitudes and support bases, and their strategies toward labor markets are as important in shaping outcomes as the strength, autonomy, and orientation of labor movements themselves. And unions adjust their actions to the political context. Several dimensions of the political context demand consideration: type of regime; the party system and the place of organized labor in that system; and more transitory political circumstances, particularly electoral cycles and changes in regime.

These same factors may also affect governments' commitment to adjustment in general and to labor market flexibility in particular. For this brief survey the discussion is simplified by assuming government commitment to measures (1) to contain wage increases to a significant degree, as an important element in a stabilization package, and (2) to encourage increased labor market flexibility in the medium term. In other words, government commitment to flexible labor markets is taken as a given in this article, and the emphasis is on how varying political contexts shape government tactics and labor responses.

Regimes and Tactics

Most of the research reviewed earlier in this article is based on evidence from industrial democracies with governments widely accepted by their citizens as legitimate, with competition among two or more parties that constitute potential governments, and with broad legal and actual protection for civil and political rights. The type of regime, in effect, is held constant. In developing countries, types of regime vary widely.

One would expect the type of regime to be most obviously reflected in the tactics governments choose, once convinced of the necessity of measures organized labor is likely to resist. To cope with that resistance, three basic types of tactics are available: persuasion, partial compensation, and containment. Social pacts combine persuasion and compensation. Compensation need not take the form of immediate wage increases; social pacts often trade short-run wage restraint for social benefits (in effect, deferred improvements in the security and quality of life). Another form of compensation is reform of labor laws to provide labor with assurances of greater freedom to organize or with better access to decisionmakers (in effect, improving prospects of later economic gains). Union pressure can be contained not only by repression (or the threat of repression) but also by co-opting labor leaders or by encouraging internal divisions and the emergence of rival unions or federations.
Broadly, democratic governments rely primarily on persuasion and compensation; authoritarian regimes are less reluctant to use containment in general and repression in particular. So unions in authoritarian systems—if they are permitted to operate legally at all—are likely to be more cautious and less militant.

But type of regime is too crude a variable to be a reliable predictor of governments' choice of tactics in dealing with labor. Both authoritarian and democratic governments display a wide range of legal and institutional arrangements governing union activity. Some democracies have laws hedging union activity quite tightly, and many democratic governments have been willing to ignore or put down labor protests. In Sri Lanka in 1980 an attempted general strike was broken by dismissing large numbers of public sector strikers. In Bolivia in 1985 the newly elected government of Victor Paz Estenssoro acted promptly and decisively to squelch the miners' union that had repeatedly destroyed earlier stabilization efforts. In Jamaica in the same year Edward Seaga faced down an unprecedented general strike in which both major union confederations (each linked with one of the two major parties) protested his austerity program.

Conversely, some long-established one-party or dominant-party governments grant unions considerable influence, although this may be punctuated with episodes of tension or repression. Examples include the long history of Kenneth Kaunda's relations with the Zambian copper miners; the dominant Institutional Revolutionary Party's long-term management of labor relations and policies in Mexico; Neodestour's relationship with the major Tunisian labor federation; and Juan Velasco's military government's cultivation of support from Peruvian trade unions in the late 1960s and early 1970s.

Electoral cycles clearly do influence not only governments' willingness to launch or maintain unpopular wage and price measures but also organized labor's acquiescence in such measures. This pattern is not exclusive to competitive democracies. Thus Ferdinand Marcos postponed stabilization measures until after the important Philippine legislative elections of May 1984. The de la Madrid government, after five years of ignoring Mexican labor unions' anguished protests, entered into an Economic Solidarity Pact in December 1987, as it became increasingly clear that the elections scheduled for mid-1988 would pose an unprecedented challenge to the Institutional Revolutionary Party's control (Middlebrook 1989, pp. 207–8).

In sum, the type of regime clearly affects government handling of labor relations and, therefore, the options available to unions. But the more fine-grained features of the relation between organized labor and the government, including the channels and degree of access to decisionmaking circles, count more in how governments manage labor issues. These arrangements are not systematically related to the broad distinction between electorally competitive and noncompetitive regimes.

Joan M. Nelson
**Party Systems and Labor’s Political Role**

Party systems and union ties with parties are particularly influential in shaping unions’ political roles and their relations with governments. Labor movements occupy positions in party systems ranging from dominance in a ruling coalition to virtual exclusion. The examples that follow demonstrate the range of possible positions.

- Peronist unions in Argentina dominate their party, and they have exercised tremendous power during periods of Peronist control of the government.
- A pattern more commonly found is incorporation of unions or segments of labor as subordinate parts of a ruling coalition, as in Mexico and Singapore.
- In several Latin American and Caribbean countries, unions have links with both of two centrist parties, which together dominate political processes: Colombia, Costa Rica, Jamaica, and Venezuela are examples. In these cases labor has access to (but does not dominate) the government regardless of the party in power.
- In Peru until quite recently, and in Argentina, labor has been linked to one strong party within a system divided by deep social and political cleavages. In Peru, the result was to exclude the American Popular Revolutionary Alliance (APRA) and its labor allies for many decades. In Argentina, Peronists periodically gained power. In both cases the political system was polarized and destabilized.
- In Uruguay and (less clearly) the Dominican Republic, unions have been linked mainly with weak radical parties: the result is semiexclusion.
- In countries such as the Republic of Korea until quite recently, and Chile under Augusto Pinochet, organized labor has been effectively excluded from tightly limited political arenas.

At any given time, different party systems and links between parties and organized labor strongly influence the options available to unions to defend or promote their interests. Over time, patterns of incorporation into the party system also affect the strength and orientation of the labor movement as a whole.

Broadly, it appears that either incorporation into an established dominant party or links with parties that alternate in power encourage negotiation and compromise and dampen confrontation. But incentives for the party in power to make concessions to labor differ sharply in the two categories. The dominant party that incorporates major unions may assume that labor has no plausible alternative to cooperation. In more competitive two-party systems access to both major parties assures labor leaders that their interests will get a hearing—the kind of assurance Lange (1984) suggests is likely to moderate the militancy of desperation in very hard times. In contrast to both systems, the polarized pattern is likely to stimulate militancy, whether or not the party with which labor is affiliated stands a good chance of taking office.
Instability and Transitional Regimes

Just as research on the militancy of labor movements in high-income industrial democracies holds the type of regime constant, it also implicitly focuses on experience in stable political systems. Many developing countries are much less stable and predictable: governments frequently change through coups rather than scheduled elections, and not merely the people in power but the nature of the political system is prone to change. Unpredictable political settings have far-reaching implications for the politics of adjustment, including the politics of labor market adjustment.

In the short run, both elected and “irregular” new governments may have special opportunities to adopt needed economic reforms. The new government is likely to have a honeymoon period during which it can blame the need for unpopular economic measures on the legacy from its incompetent or dishonest predecessor. The honeymoon effect may be particularly strong both after a long period of political and economic decay and if the new government enters office with strong popular support. (New governments, of course, vary tremendously with respect to both their sense of security and the clarity of their economic goals and program: both factors affect their ability to take advantage of the honeymoon period.) The effects of governmental turnover on the system as a whole over time are a different matter: frequent turnover is likely to breed cynicism and to drastically shorten the period of time that all political players, including labor unions, are willing to take into account as they consider their strategies and tactics. The result in the realm of labor policy is diminished potential for trading deferred benefits for current wage moderation.

The current global wave of democratizing reforms and changes in regimes highlights the special question of interactions between democratization and economic liberalization, including labor market adjustments. A principal characteristic of democratization is rapid expansion of popular political participation. Popular demands for improved living conditions may be temporarily muted by widespread recognition that the country’s economic problems require major reforms and will take time to carry out. That recognition seems to be particularly strong in some of the Eastern European countries now retreating from state socialism. But popular demands are likely to be more immediate and insistent in many of the nations of Latin America and Asia, and in some in Africa now turning or returning to democracy.

In short, new democracies often face considerable wage pressure. If the new government is viewed as a definitive break with the bad old days, workers are likely to look for speedy improvement in their situation. But if the new regime is viewed as fragile, labor may well seek to capitalize on the political opening while it lasts. From the government’s perspective, too, the desire to consolidate or broaden popular support encourages wage increases and other populist measures.

Ups and downs in real wages obviously reflect not only government wage policies but other domestic policies and external trends, but it is striking how
many of the new democracies of the past two decades illustrate the tendency to early wage concessions. In Portugal after 1973 real manufacturing wages rose 13.7 percent in 1974 and 10.3 percent in 1975; nominal wages were hiked much more (Schmitt 1981, appendix table 1; Stallings 1981, pp. 108–9). In Spain real wages had been rising rapidly from the 1960s but accelerated after 1974 (Lopez-Claros 1988, p. 4 and chart 6). In Argentina real industrial wages had dropped 11 percent in 1980 and 10 percent in 1981; the departing military government then raised real wages by at least 25 percent. (Díaz-Alejandro, in Williamson 1983, gives the increase as 29 percent. Later data in ECLAC 1989, table 6, p. 17, record the increase as 25.4 percent.) Raúl Alfonsín, campaigning for the presidency and probably basing his judgment on the 1980–81 data, promised to raise real wages, and in 1984 real average manufacturing wages rose a further 26.4 percent (ECLAC 1989, table 6). In Uruguay average real wages jumped 14.1 percent in 1985 with the return of civilian rule, after having fallen more than 30 percent between 1982 and 1984, although the new civilian government was firmly centrist and the unions were not traditionally politically powerful. In Bolivia Hernán Siles Zuazo’s election in 1982 ended a long period of military rule, but Siles’s attempts to gain control over the rapidly disintegrating economy were repeatedly blocked by militant unions. At least four times the government introduced austerity measures only to back off and raise nominal wages after general strikes.

In Turkey Turgut Özal became head of the economic team when military rule was imposed in 1980 and was later elected prime minister when civilian rule was restored in late 1983. Wage negotiations had become increasingly confrontational in the late 1970s as the economic and political crisis deepened, and the new military government cracked down on the labor unions. Real wages, already falling steeply in 1978 and 1979, dropped a further 25 percent in 1980. As the stabilization and adjustment program took effect, the rate of decline slowed to 7.4 percent in 1981 and 4 percent in 1982. In 1983, as elections to restore civilian rule approached, wage policy was eased and prices on key staples held in line; real wages increased 5.6 percent. The collective bargaining process was liberalized early in 1985 (this information is based on an internal World Bank report and on Kopits 1987, p. 10).

Labor pressure on new democratic governments is not surprising. Much more interesting would be a semisystematic explanation for the experience of such governments in trying to bring wage policies back into line and to establish rules of the game to reduce conflict with organized labor while permitting stabilization and adjustment. The 1980s saw a wide array of strategies, including successful pacts (Spain), a variety of tactics to weaken or split labor (as Alfonsín initially tried to do), and straight union-breaking (under Paz Estenssoro in Bolivia). The results of such strategies in winning labor’s cooperation with adjustment have ranged from considerable success to total failure. Explaining the results would go well beyond the space available here.
the core of durable arrangements to encourage moderate labor demands must be a modicum of confidence.

**Long-Haul Adjustment, Labor Cooperation, and Equity**

Skillful government tactics can make a great difference to the effective or ineffective management of labor demands in the short run. But adjustment is a long-haul proposition, likely to extend over a decade in many countries, perhaps considerably longer in some. Resumed growth in those countries whose economies have stagnated or worsened in the past decade will facilitate labor's cooperation, but certainly in much of Latin America and Africa it is realistic to expect a long process of painful reorientation.

The crucial element in gaining workers' cooperation is the belief that their sacrifice will contribute to general gains and that those gains will be distributed fairly. That belief requires (1) confidence in the government's economic management and at least contingent hope that the government has a plausible game plan—in countries where external economic trends are very adverse, the plausibility of the government's game plan may hinge in part on the probability of substantial external support; (2) confidence that labor's interests will be fairly represented and that labor representatives will have access to and influence in decisionmaking circles; (3) as a prerequisite, reasonable confidence in political stability, that is, assurance that changes in administration are not likely to bring dramatic change in labor's position or in the rules of the game.

These requirements are strikingly parallel to the conditions needed to get business to start investing again. Labor militancy—workers' main line of defense against declining incomes—can be seen as the counterpart to the business caution and capital flight that delayed supply response to partial reforms in many developing countries in the 1980s. Conversely, union acquiescence in wage restraint (to the extent that it is voluntary) is essentially an investment: current income and consumption are forgone in favor of expected greater returns later.

In some countries, cooperation might be encouraged by mechanisms to give labor fuller access to decisionmaking circles, while ways are sought to broaden labor leaders' grasp of larger national problems. The corporatist arrangements of Northern and Western Europe are suggestive but cannot be replicated—certainly not rapidly, or imposed primarily from above. (Schmitter 1981, pp. 318 ff., emphasizes that the ruling elite has very limited ability to remold systems of party and interest intermediation, which are "the product of very lengthy and complex historical forces ... [and] are also subject to strong emergent organizational properties that guide their development and insulate them from ameliorative meddlings from above.") But what is widely perceived as a long-term crisis simultaneously increases the importance of political influences on labor relations and opens the possibility of dialogue.

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Labor cooperation would also be encouraged if governments—and those advising them—placed more emphasis on increased equity to balance insistence that labor make sacrifices in the public interest. Recent analyses of the self-destructive “populist cycle” evident over the past forty years in several Latin American nations trace the roots of the cycle to marked and growing income inequalities and the resulting political pressures for redistributive policies to raise the incomes of poorer groups. Sachs (1989) puts great emphasis on this point; it is less prominent but clear in Dornbusch and Edwards (1989, especially p. 5). More broadly, as the corporatist model suggests, both institutional arrangements and policy outcomes must build up confidence that the benefits of economic reform and recovery will be widely shared. The modest measures likely to be feasible to increase equity in the 1990s—more progressive taxation (or simply the enforcement of taxes on the books) and reorientation of social services to better serve the working class and the poor—will not eliminate conflict over which groups bear the costs of adjustment. But such modest measures might reduce anger and distrust and improve the chances for constructive dialogue and bargaining.

Notes

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1. Wage push is inflationary pressure largely generated by a pattern of increases in real wages outstripping increases in productivity.

2. For an excellent brief discussion of democratic corporatism and its contrasts with other meanings of the term corporatism, see Katzenstein 1985, pp. 30-37.

3. This description of corporatist arrangements for labor policies is, of course, stylized. Institutional arrangements, policies, and economic outcomes vary among the nations usually described as fitting the model, especially the Scandinavian nations, Austria, Belgium, the Netherlands, and Switzerland. Within specific countries, the approach has been more effective at some times than at others. For example, Sweden is often taken as the epitome of effective corporatist arrangements of this kind, yet recent trends in Sweden suggest the model is no longer working very well.

4. The most extensive sets of data on union members as a proportion of the labor force are found in Taylor and Jodice (1983), and in U.S. CIA (1989), but the former is now dated (referring to the mid-1970s) and some of the data from the latter are startlingly out of line with other sources. For example, U.S. CIA (1989) gives Mexican union membership as 35 percent of the workforce, compared with Middlebrook’s (1989) figure for 1979 of 16.3 percent and George Grayson’s estimate (given at a conference on Mexican trade unions at the Overseas Development Council in 1989) for the late 1980s of 20 percent. Recent data for many countries are also available in the periodic U.S. embassy reports for individual countries (U.S. Department of Labor various years); this source is the main basis for the estimates in the text for Argentina, Jamaica, and Venezuela.

5. A literal interpretation of the corporatist approach would not predict this outcome. But the corporatist line of explanation for unions and wage determination has concentrated on what was going on in the industrial democracies with very high degrees of centralization, and it has paid little attention to the range of incentives and strategies guiding union behavior where wage setting is decentralized. Had the focus been more on the decentralized cases (and, even more likely, had it been on developing country cases), the assumed monotonic links among decentralization,
labor militancy, and wage push might have been modified. It seems self-evident that very small and scattered unions are not likely to exercise effective wage push, and plausible that they will be only sporadically and briefly militant.

6. This point was suggested by Kevin J. Middlebrook in correspondence with the author.

7. Heller and Tait's comparative study (1984) of public employment and pay is still the most comprehensive analysis available for developing nations, but it gives conflicting information regarding public and parastatal wage levels compared to private nonagricultural wages. Direct comparisons of wage levels suggested that central government and nonfinancial public enterprise employees tended to be better paid than workers in private manufacturing (table 8, p. 18), but government employment constituted a larger share of total nonagricultural employment than did government wages as a share of total wages (p. 10).

References

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