SOCIAL POLICY AND TRADE UNIONS

By

Jan-Erik Lane (Geneva and Singapore) and Svante Ersson (Umea)

Abstract

Social spending is typical of the affluent countries. The variation in social budget-making including education is large when the countries in the OECD set are examined. Civil society is a factor to be taken into account when explaining these differences. We focus upon the trade unions, showing that both density and legal position matters for social spending, covering both services and insurance.

Introduction

This paper raises the question of trade union influence upon social expenditures by governments. Social expenditures have a large place in the budget of the modern state covering a number of allocative and distribution items. One may assume that many factors influence the size of such expenditures as measured in terms of the percentage of GDP. Here, we wish to illuminate whether and how trade unions matter.

The key distinction that we wish to make pertains to the mere size of trade unions as reflected in the trade union density index on the one hand and the status of trade unions in the negotiations system on the other hand. Trade unions may be powerful because they represent a high proportion of the employees. Or trade unions may be powerful because they have a formally accepted position from which they may negotiate with government or the employers' association. Although it is true that these two aspects of a trade union often go together, it is also true that there are countries where this is not the case. Thus, we can ask which aspect matters most for the making of social policy.

Trade unions belong to civil society, which tends to flourish the richer the country becomes. However, it is a basic fact about the OECD countries that they display sharp differences with regard to how trade unions are organised and how they interact with the employers and government. What follows below is an exploration into these differences in order to enquire into whether alternative modes of institutionalisation matter for social, educational and health spending. In principle, trade unions would favour social spending, but it remains to explain empirically how this association works itself out. Now, the field of social policy is vast, especially in the set of OECD countries where Wagner's Law operates fully. Below we explore the influence of one side of civil society – trade unions – upon governmental policies in the social area, defined in a broad sense.

SOCIAL BUDGET-MAKING

All governments recognize social obligations in relation to their population. State budgets typically contain substantial sums of money reserved for social care, health and income maintenance. Whether education is to be included in social spending can be debated. Only if a government is completely destitute will it fail to provide any social services. Although social services do not enter into the key category of public goods, which is considered as the classical task of the state, they are clearly as relevant for policy. Several social services take a considerable size of the state budget because they are often provided in huge quantities.

The reason that education, health, social care and income maintenance are not considered as parts of public goods is that they can in principle be provided by the market. However, despite the fact that all three services can be provided for individually and people be made to pay for them, thus satisfying the requirements for market allocation, governments are willing to spend considerably in order to offer national education, health care and income protection. The well-known Wagner's Law of public expenditures states that governments will increase their spending on social services as the affluence of society increases over time. Below, however, we will examine the differences between advanced countries in terms of social ambition.

Since social services may be both public and private, most countries offer a mix where the size of the government sector and the size of the market sector will depend upon a number of considerations including

policy path dependency. The literature on political economy suggests that the position of trade unions in a country matters for the making and implementation of social policy Thus. it has been suggested that trade unions matter for social policy, especially if corporatist institutions prevail. Trade unions would favour the commitment of public expenditures towards social purposes for a variety of reasons. First, budgeting for social services and education could bring jobs to trade union members, as professionals in education and health care tend to engage in collective action. Second, the outcomes of social services are interesting from the point of view of trade unions, as they value equality in general and security in particular. Trade unions fear the vagaries of the market economy, which may be reduced by means of social policy. It has been suggested that open economies call for substantial social spending in order to compensate for the economic fluctuations that world trends impose upon single countries.

Thus, we expect to find a positive connection between the position of trade unions in a country and the size of public expenditures for social and educational causes as a percentage of the GDP: The stronger the position of the trade unions, the larger the relative size of the social budget, all other things equal. Yet, trade union position may be measured in two ways:

- trade union density, or the number of employees enrolled in unions as a percentage of the work force; and
- "*drittelparitat*", or the public recognition of trade unions as a major partner in society besides the employers and government (tripartism).

What we wish to find out is whether trade union density or *tripartismt* matters most in relation to social budget-making. Researching this question requires the making of a number of distinctions which in turn demand access to specific data that only the OECD Statistics can offer. Thus, we will analyse trade union power and social expenditures in the set of OECD countries (from at most N = 30), focusing upon the 1990s.

Social spending may be public or private. Rich countries may use the state or the market to allocate social services. The same applies to social insurance. As the late Aaron Wildavsky emphasized in one of his best ever articles, Wagner's Law about a positive connection between affluence and the size of the public sector is only a rather rough approximation (Wildavsky 1985, 1986). Affluence constitutes a necessary but not a sufficient condition for big public expenditures, Wildavsky claimed, searching for the decisive factors that lead a country to favour public ahead of private social expenditures among cultural factors. We suggest that a strong position of the trade unions in a country is one of the sufficient conditions for large scale social spending. However, one must make clear whether it is trade union membership or trade union bargaining position that matters most.

There are a number of studies focussing on determinants of social spending (Schmidt 1997, Cusack and Fuchs 2002; Kittel and Obinger 2003) as well as studies dealing with the issue of the impact of corporatism and trade union strength on economic performance (Hicks 1999, Kenworthy 2002), but so far few studies researching the impact of unions on social spending which is the focus of this paper.

THE DATA

The Table in the Appendix presents the indicators employed in the empirical analyses below. It covers a set of measures of both dependent and independent variables. First, we have a set of measures concerning social ambition covering total public spending, total private spending, transfer payments as well as education and health expenditures. It is a well-known fact that these aggregates can be measured in different ways, social expenditures consisting of thousands of minor items which may be added up into aggregates in different ways. Second, we have a set of measures on the position of trade unions in a country, including a few indices on corporatism, which tend to blend the two basic dimensions we are researching, namely trade union membership and "drittelparitat" or tripartism.

Let us take a closer look at the dependent and independent variables before we examine the interactions between variables. The data about our OECD set comes in the form presented in Table 1. The country variation in social spending as well as public spending on education and health is displayed in this table; here we follow the OECD's definitions for these items. In addition the table also contains information on trade union density around 1995 as well as the occurrence of tripartism.

Table 1. OECD Countries: Basic data about trade unions and social as well as educational and health spending

COUNTRY	TUDD951	TRIP	SOCPUB1995	GPC95	NTS95	INTR95	EDPU95	HPE95
Australia	28,6	1	17,79	19,2	22	9	5,5	4,5
Austria	36,6	1	27,88	30	26	19,2	6,2	6,3
Belgium	38,1	1	25,07	30	28,1	,	6,1	5,0
Canada	31	0	19,23	22,5	24,1	11,5	6,6	6,2
Czech Rep	36,3	,	18,64	21	18,8	,	6,8	4,9
Denmark	68,2	1	32,41	37,7	28,4	20,8	6,8	6,4
Finland	59,7	2	31,24	35,9	27	22,5	5,7	6,3
France	6,1	2	28,98	,	,	20,9	7,3	5,9
Germany	29,6	2	26,7	29,5	27,7	18,2	8,0	4,5
Greece	15,4	2	21,15	,	,	,	4,8	2,9
Iceland	70,7	,	18,63	,	,	,	6,3	4,9
Ireland	36	1	19,61	21,3	20,1	,	6,9	,
Italy	30,6	2	23,75	28,7	24,9	17,9	5,3	4,7
Japan	18,6	0	13,47	,	,	12,8	5,3	4,5
Korea	9	,	3,67	3,8	5,9	1,8	5,6	3,6
Luxembourg	39,5	,	23,3	,	,	,	1,7	,
Mexico	31	,	7,44	,	,	,	5,8	,
The Netherlands	21,8	2	25,92	28,8	25	19,2	2,3	4,6
New Zealand	23,2	1	19,32	,	,	13,5	6,4	4,6
Norway	51,7	2	27,62	32	26,4	15,9	5,6	4,9
Poland	27	,	24,74	,	,	,	6,7	7,0
Portugal	18,8	1	17,51	,	,	12,1	4,4	5,5
Slovak Republic	52,3	,	13,53	,	,	,	5,0	5,3
Spain	11,4	2	20,94	,	,	14,9	,	,
Sweden	77,2	2	33,03	37,3	31,7	21,2	5,5	4,6
Switzerland	20	0	26,2	,	,	,	6,9	6,3
Turkey	22	,	7,46	,	,	,	7,0	,
United Kingdom	26,2	1	25,84	25,6	26,4	15,6	2,4	2,4
United States	12,7	,	15,41	16,4	25,3	9,4	5,9	4,8

Sources: See Appendix A.

The level of public social spending is generally much higher than what is spent on education or health in relation to GDP. In 1995 the highest figures for public social spending were to be found in the Nordic countries Sweden, Denmark and Finland, whereas Korea, Mexico and Turkey had the lowest levels. The different indicators on social spending do however covary to a quite large extent, independent of whether they are measured as gross or net expenditures. Public spending on education and health covary only weakly with public social spending. Is it the case that the variation between countries in public social, educational and health spending is high where either trade unions are strong in terms of size or in terms of bargaining position? Does this hypothesis withstand a closer empirical test?

OVERALL SOCIAL SPENDING

Social categories of spending range from broad allocative items such as primary and secondary education as well as health care including a myriad of minor expenditure items such as different forms of social care to big social insurance items: income redistribution. Social services are in principle private goods meaning that they can be allocated by the market. So also happens in many of the rich countries where there are for instance markets for doctors and various forms of care.. However, it remains a fact that social spending is public to a high degree in many OECD countries. When this occurs, then social expenditures make up a most considerable portion of the GDP of the country in question.

What may make social budget-making as large as one third of GDP are the many categories of social insurance, which tend to be public obligations in most OECD countries. Here we find a number of big and small items of expenditures, which though are classified in different ways in various countries. There is a problem of strict

comparability across the OECD set of countries despite the fact that a lot of research effort has been devoted to making the statistics comparable. Social insurance can be handled by private mechanisms although based upon public obligation, which creates considerable confusion. In Table 2 we list the countries according to the main categories in the OECD statistics.

Table 2. Categories of social spending in percentage of gross domestic product (GDP) (Countries sorted according to the relative size of private spending)

COUNTRY	SOCPRIV95	SOCPUB1995	SOCTOT1995
Netherlands	3,73	25,92	29,65
Sweden	2,76	33,03	35,79
Germany	2,38	26,70	29,08
Belgium	2,07	25,07	27,14
Korea	1,55	3,67	5,22
Italy	1,44	23,75	25,19
Iceland	1,25	18,63	19,88
Denmark	1,15	32,41	33,56
Finland	1,08	31,24	32,32
Austria	1,08	27,88	28,96
Norway	,94	27,62	28,56
Slovak Republic	,87	13,53	14,40
United Kingdom	,86	25,84	26,70
Portugal	,82	17,51	18,33
France	,65	28,98	29,63
United States	,46	15,41	15,87
Australia	,30	17,79	18,09
Japan	,26	13,47	13,73
Spain	,04	20,94	20,98
Switzerland	,00	26,20	26,20
Poland	,00	24,74	24,74
Luxembour	,00	23,30	23,30
Greece	,00	21,15	21,15
Ireland	,00	19,61	19,61
New Zealand	,00	19,32	19,32
Canada	,00	19,23	19,23
Czech Republic	,00	18,64	18,64
Turkey	,00	7,46	7,46
Mexico	,00	7,44	7,44

Source: See Appendix A

Note: SOCPRIV95: Private social expenditure in % of GDP (=mandatory private expenditure + voluntary private expenditure) 1995; SOCPUB95: Public social expenditures % of GDP 1995; SOCTOT95: Public and private social expenditures % of GDP 1995.

By looking at the relative numbers in Table 2 we note the occurrence of a weak Wagner effect as Turkey, Mexico and South Korea as well as the Czech and Slovak Republics have considerably less of public social expenditures when related to their GDP. The Swiss *Sozialstaat* is correctly identified here. However, as affluence reaches a certain level the Wagner effect abates. In stead we find two clusters of countries:

< 24 per cent of GDP: Iceland, the United States, Australia, New Zealand, Japan, Ireland, Spain, Portugal, Greece, Luxembourg
> 24 per cent: France, Italy, Germany, Switzerland, Austria, Norway, Denmark, Sweden, Finland, the Netherlands, Belgium.

This classification is in agreement with Wildavsky's observation that rich countries either rely mainly upon the state to provide social services or they allow a considerable scope for markets to provide these services. Thus, we have three basic categories of OECD countries following their social ambitions: (a) developing countries; (b)

welfare societies; and (c) welfare states. Let us now turn to data about education spending in order to establish whether we can make the same distinctions.

EDUCATIONAL SPENDING

Educational spending is mainly public in advanced countries, although private education exists in many of them. Primary education as well as secondary education belongs to the classical state obligations towards citizens whereas higher education hardly constitutes a right to the same extent. In the field of higher education one finds often many private alternatives and also state higher education may be funded mostly from user fees. Table 3 shows the country distribution on various items of educational spending.

Table 3. Education expenditures in % of GDP 1995 (Countries sorted according to the relative size of private spending)

COUNTRY	EDPR95	EDPU95	EDTO95
United States	1,7	5,0	6,4
Germany	1,3	4,5	5,8
Japan	1,2	3,6	4,8
Australia	1,0	4,5	5,5
Mexico	1,0	4,6	5,6
Spain	1,0	4,6	5,5
Canada	,7	6,2	6,9
Hungary	,6	4,9	5,5
Czech Republic	,5	4,9	5,4
Ireland	,5	4,7	5,3
France	,4	5,9	6,3
Austria	,3	6,3	6,6
Denmark	,3	6,4	6,7
Norway	,2	7,0	7,2
United Kingdom	,2	4,8	5,1
Italy	,1	4,5	4,6
Netherlands	,1	4,6	4,7
Sweden	,1	6,3	6,4
Turkey	,1	2,4	2,5
Belgium	,0	5,0	5,0
Finland	,0	6,3	6,3
Portugal	,0	5,3	5,3
Poland	,	5,5	,
New Zealand	,	4,9	,
Greece	,	2,9	,

Note: Data refers to direct and indirect expenditure on educational institutions from public and private sources for all levels of education; EDPR95: Private expenditure on education as % of GDP 1995; EDPU95: Public expenditure on education as % of GDP 1995; EDTO95: Total expenditure on education as % of GDP 1995 (=public + private expenditure)
Source: See Appendix A.

We note in Table 3 that public spending for education is much larger than private educational spending, also in countries which favour private universities and colleges such as the United States. Most of the rich countries spend about 5 per cent of their GDP on education, public and private included. However, there is a country variation that may be analysed more in depth. Why do some countries spend only about 3 per cent while other countries spend as much as 7 per cent of their GDP? Do trade unions matter? Let us finally look at health care spending as a separate category.

HEALTH CARE EXPENDITURES

In every society there is a mixture of privately and publicly arranged health care. Public health care expenditures tend to be larger than private health care expenditures, as government concentrates upon the delivery of the expensive services (Musgrove, Zeramdini and Carin 2002). All in all, health care takes about 8 per cent of GDP in OECD countries. However, the variation between the most expensive health care system and the least expensive one is huge – see Table 4, which covers both private and public health care costs. The costs for health care have increased continuously during the post-war period. They constitute now a major bulk of the public social expenditures. However, there is also private health care spending which may loom large in societies with huge markets for health care. Table 4 indicates an immense variation between countries in health care spending, public and private.

Table 4. Health care spending in % of GDP 1995 (Countries sorted according to the relative size of private spending)

Country	HPR95	HPE95	HTE95
United States	7,2	6,0	13,2
Greece	4,1	4,8	8,9
Mexico	3,3	2,3	5,6
Korea	3,0	1,7	4,7
Canada	2,7	6,6	9,3
Australia	2,7	5,5	8,2
Switzerland	2,6	7,0	9,6
Belgium	2,6	6,1	8,7
Portugal	2,6	5,0	7,6
Netherlands	2,5	6,4	8,9
France	2,3	7,3	9,6
Austria	2,3	6,2	8,5
Germany	2,2	8,0	10,2
Italy	2,1	5,3	7,4
Ireland	2,0	5,3	7,3
Finland	1,8	5,7	7,5
New Zealand	1,7	5,6	7,3
Japan	1,6	5,6	7,2
Poland	1,6	4,4	6,0
Spain	1,5	5,5	7,0
Denmark	1,4	6,8	8,2
Iceland	1,3	6,9	8,2
Norway	1,3	6,7	8,0
Sweden	1,2	6,9	8,1
Hungary	1,2	6,3	7,5
United Kingdom	1,0	5,9	6,9
Turkey	1,0	2,4	3,4
Czech Republic	,5	6,8	7,3
Luxembourg	,5	5,8	6,3

Note: Public expenditure: health expenditure incurred by public funds; private expenditure: privately funded part of total health expenditure; total expenditure: public expenditure + private expenditure.

Source: See Appendix A.

Private health care expenditures are quite substantial in the OECD countries, especially in the US. However, in most countries health care is more public than private. Public health care expenditures reach between 4 to 7 percent of GDP – an immense budget item. The so-called welfare states cluster in the upper limit of public expenditures for health care whereas the so-called welfare societies tend towards the lower limit. Do trade unions matter? The distribution between public and private is altogether different from what we found about education in Table 3. Whereas private education is rare, things are different with regard to health care. In a few countries

private health care is of the same size as publicly provided health care. Private health care is substantially cheaper than public health care, but more advanced treatment may require public institutions. Yet, the general impression is that health care is public, requiring often 8 per cent of GDP – an immense budget number.
Now, does trade union organisation – membership or position – matter for social spending, educational budget-making and public health care effort? Let us first explain why it is vital to separate between two aspects of the organisation of trade unions, which form a vital ingredient in any civil society.

TRADE UNION POSITION

Trade unions belong to the organizations of the industrial society, as they were instrumental in channelling the interests of the working classes during the modernization of the economy. Trade unionization spread as the economy matured meaning that white collar groups organized as well as agricultural labour. In the post-industrial society the carpet of trade unions is even more multifaceted as numerous groups with tertiary education are organized.

One may raise the question whether the post-industrial society weakens the trade union movement when compared with classical period of modernization when trade unions often had to fight for their right of association. However, the answer probably depends upon the country in question, as there is strong evidence of path dependency in the evolution of trade unionization in a country over time. What Table 1 showed was that there is immense variation in the position of trade unions among OECD countries, when measured by membership data (trade union density) or tripartism.

Various indices of corporatism have been suggested in order to capture the role organized interests play in the political process, including the trade unions. Identifying the extent and intensity of corporatist practices is no easy task, as the different corporatist indices testify to. We will include a few of these indices here in Table 5 where the measures concerning trade union position are correlated with each other.

Table 5. Trade union position: density, tripartism and corporatism (correlations)

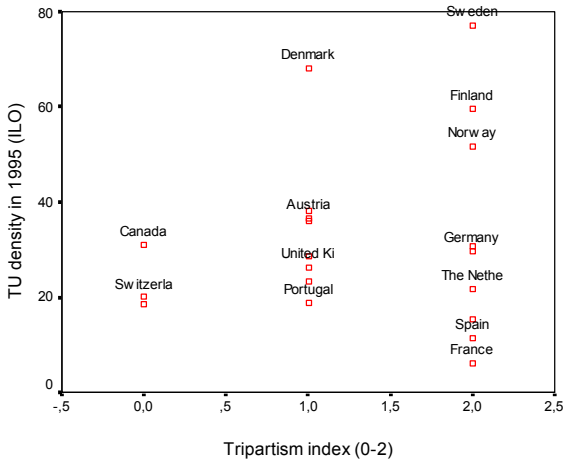
		CENTR	TRIP	LEHNB	LIJPCRE
TUDD951	Pearson Correlation	,462	,150	,516	,553
	Sig. (2-tailed)	,047	,527	,041	,017
	N	19	20	16	18
TUDA90	Pearson Correlation	,432	,103	,424	,460
	Sig. (2-tailed)	,065	,665	,101	,054
	N	19	20	16	18
TUDA94	Pearson Correlation	,469	,198	,478	,514
	Sig. (2-tailed)	,043	,432	,071	,035
	N	19	18	15	17
TUDC95	Pearson Correlation	,369	,145	,272	,391
	Sig. (2-tailed)	,194	,620	,393	,186
	N	14	14	12	13
TUDE95	Pearson Correlation	,374	,185	,294	,428
	Sig. (2-tailed)	,208	,545	,353	,144
	N	13	13	12	13
TUDF200	Pearson Correlation	,517	-,036	,428	,505
	Sig. (2-tailed)	,058	,899	,189	,078
	N	14	15	11	13

The main finding in Table 5 is that trade union position needs to be analysed into three dimensions: membership strength, bargaining position and extent of corporatist practices. It is true that these three aspects of trade union power go together to a large extent. But there is also considerable variation. We may separate two sets of pure type countries with quite a few countries falling inbetween:

- Group 1 (low density, weak tripartism): Japan, the US, Switzerland, Spain, Portugal
- Group 2 (high density, strong tripartism): Sweden, Norway, Finland, Denmark

Another major finding in Table 5 is that tripartism occurs almost independently of trade union density whereas centralisation in bargaining and corporatism are strongly linked with trade union density. Diagram 1 displays this independence between trade union density and tripartism.

Diagram 1. Tripartism and trade union density



It is obvious from Diagram 1 that trade unions may exercise a strong position in society on two entirely different grounds: membership strength or legal recognition (tripartism). Only in some countries do trade unions achieve a strong position on both these dimensions. Given this independence between trade union density and tripartism, we ask which matters most for social and educational spending.

THE LINK: Trade unions and social budget-making

Starting with trade union density we may establish that it is a positive determinant for social spending. The more members the trade unions attract relatively speaking, the stronger the public social effort. Yet, the link is not perfect meaning that there are deviations from strict linearity. Table 6 has the data about the correlations between trade union membership and public social spending as a percentage of GDP.

Table 6. Correlations between trade union density and public social spending

		TUDD851	TUDD852	TUDD951	TUDD952
SOCPUB1990	Pearson Correlation	,611	,587	,522	,472
	Sig. (2-tailed)	,002	,003	,005	,013
	N	24	24	27	27
SOCPUB1995	Pearson Correlation	,531	,518	,421	,384
	Sig. (2-tailed)	,006	,008	,023	,040
	N	25	25	29	29
SOCPUB1996	Pearson Correlation	,503	,490	,390	,355
	Sig. (2-tailed)	,010	,013	,036	,059
	N	25	25	29	29
SOCPUB1997	Pearson Correlation	,473	,459	,359	,320
	Sig. (2-tailed)	,017	,021	,055	,091
	N	25	25	29	29
SOCPUB1998	Pearson Correlation	,463	,448	,345	,300
	Sig. (2-tailed)	,020	,025	,067	,114
	N	25	25	29	29

Sources: See Appendix A.

The connection reaches a high .6 in the early 1990s, but then it tapers off in the late 1990s. Table 7 shows a similar link between educational expenditures on the one hand and public health care expenditures on the other hand and trade union density.

Table 7. Correlation between educational and health care expenditures and trade union membership

		TUDD851	TUDD951
EDPU95	Pearson Correlation	,621	,578
	Sig. (2-tailed)	,003	,003
	N	21	24
EDPR95	Pearson Correlation	-,466	-,426
	Sig. (2-tailed)	,044	,054
	N	19	21
EDTO95	Pearson Correlation	,450	,400
	Sig. (2-tailed)	,053	,073
	N	19	21
HPE95	Pearson Correlation	,402	,347
	Sig. (2-tailed)	,046	,070
	N	25	28
HPR95	Pearson Correlation	-,407	-,421
	Sig. (2-tailed)	,043	,026
	N	25	28
HTE95	Pearson Correlation	,010	-,016
	Sig. (2-tailed)	,960	,937
	N	25	28

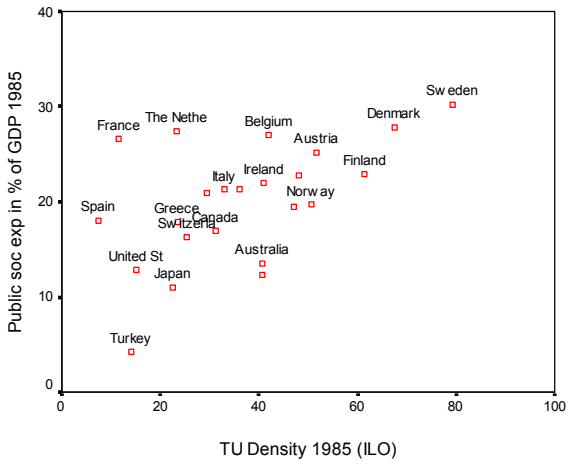
Sources: See Appendix A.

From Table 7 we may observe that trade union density covary positively with public spending on education and health, whereas the relation is reversed when taking into account private spending on these items.

THE LINK: Both membership and position matters

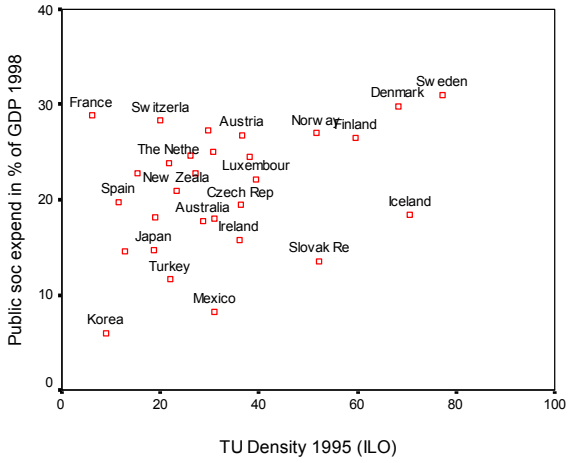
Now, we wish to state our key point, which is that one cannot only look at trade union density. As we may see from Diagram 2 and Diagram 3 public social spending may be high even where trade unions do not mobilize many members. This is what breaks the linearity in the link between trade union density and public spending.

Diagram 2. Trade Union Density and Public Social Spending in 1985



One observes that in 1985 there is almost a linear relationship between trade union density and social budget-making. However, there are some countries which have large social expenditures although trade union membership is low – perhaps they score high on tripartism? The data for 1995 in Diagram 3 covers more countries and the picture is more mixed, since over time there are changes both in trade union mobilization and in public social spending.

Diagram 3. Trade Union Density and Public Social Spending in 1995



Next we look at bargaining position which may be tapped through different measures. On the one hand we have indices that measure the centralisation of the bargaining process including the occurrence of corporatism. On the other hand we have the index of tripartism, which identifies the legal position of the trade union. Table 8 has the correlations between the various indices on bargaining strength and social spending.

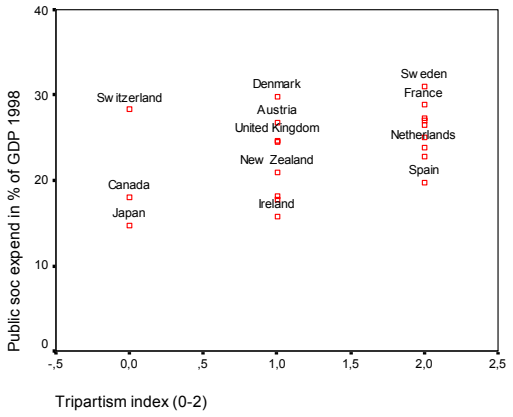
Table 8. Correlations between bargaining position and social spending

		SOCPUB95	EDPU95	HPE95
BARGLEV	Pearson Correlation	,641	,198	,442
	Sig. (2-tailed)	,000	,364	,027
	N	26	23	25
CENCOO	Pearson Correlation	,662	,273	,423
	Sig. (2-tailed)	,002	,272	,071
	N	19	18	19
CENTR	Pearson Correlation	,819	,320	,267
	Sig. (2-tailed)	,000	,195	,270
	N	19	18	19
COMPST	Pearson Correlation	,221	,479	-,205
	Sig. (2-tailed)	,468	,115	,502
	N	13	12	13
COORD	Pearson Correlation	,277	,010	,292
	Sig. (2-tailed)	,251	,969	,225
	N	19	18	19
LEHMB	Pearson Correlation	,772	,412	,406
	Sig. (2-tailed)	,000	,127	,119
	N	16	15	16
LIJPCRE	Pearson Correlation	,641	,431	,399
	Sig. (2-tailed)	,004	,084	,101
	N	18	17	18
TRIP	Pearson Correlation	,472	,046	,064
	Sig. (2-tailed)	,036	,853	,790
	N	20	19	20

Sources: See Appendix A.

The major finding in Table 8 is that trade union position however one measures it is conducive to large public social expenditures. This, however, is not true for public spending on education or on health. We still find positive coefficients but few of them display significance. The tripartism indicator do not correlate with public spending on education and health. Thus, when one argues that trade unions or civil society enhances social expenditures, then it is important not only to look at trade union membership. Diagram 4 indicates that tripartism goes together with public social spending.

Diagram 4. Tripartism and Public Social Spending as a percentage of GDP



Trade unions may occupy a central position without having extensive membership. They would in any case claim social programmes for their members and the population.

CONCLUSION

Trade union density is only a sufficient condition for big social spending. It is NOT a necessary condition as governmental social effort may be high also when trade union density is low. It is then tripartism that matters. In fact, trade unions may use two powers bases, viz trade union membership and "drittelparitat". Both of these power bases are conducive to big public social spending. Table 9 shows that both factors matter for public social spending, but less so for public spending on education or health. The tripartism indicator only impacts on public social spending, whereas trade union density matters for public social spending and spending on education. The variation in public health spending has less to do with trade union strength.

Table 9. Regressions: Public social, educational and health expenditures in 1995 and TUD and Tripartism

Independent variable	Coeffs	Pub soc exp	Net soc exp	Gross soc exp	Pub edu exp	Pub health exp
TUDD951	Coeff	,163	,098	,236	,036	,011
	t-stat	3,41	2,42	4,21	3,24	1,02
TRIP	Coeff	2,536	1,060	3,186	-,022	,031
	t-stat	2,32	,98	2,12	-,07	,11
Constant	Coeff	15,202	20,494	14,995	4,032	5,72
	t-stat	6,84	9,98	5,27	7,14	11,60
Adj rsq		,48	,35	,69	,32	,0
N		20	13	13	19	20

Sources: See Appendix A.

We may thus conclude that trade union density and tripartism has an impact on public social spending. There is still a noticeable impact of trade unions on public spending on education. Tripartism, on the other hand, only impacts on social spending but not on public spending in education and health. Alternative modes of trade union institutionalization matter for various kinds of public spending.

Social spending is linked with modernisation, argued Wagner in a beautiful prediction about the coming industrial society. Trade unions emerge in the wake of industrialisation. We may conclude that they have been one of the major agents of social change through the making and implementation of public policies. But how do things stand in the post-industrial society? Will civil society in countries experiencing rapidly growing affluence through balanced and sustained economic growth make social spending a high priority? We suggest that this depends partly upon the trade unions in civil society. Both trade union density and legal position matter.

APPENDIX

Appendix A. Public social policy expenditure and trade unions: variables, indicators and sources

Abbreviation	Description	Source
Independent variables:		
BARGLEV	Bargaining level (0= company, 1 = national)	ILO (1997)
CENCOOP	CENTR * COORD	Plasman and Rycx (2001)
CENTR	Predominant bargaining level	Plasman and Rycx (2001)
COMPST	Union participation in economic policy-making	Compston (1994, 1995)
COORD	Degree of coordination among the social partners	Plasman and Rycx (2001)
LEHMB	Lehmbruch index of corporatism	Lehmbruch (1984)
LIJPCREP	Lijphart-Crepaz index for corporatism	Lijphart and Crepaz (1991)
TRIP	Tripartism = summary index of number ILO conventions ratified	World bank (1995)
TUDD951	Trade union density 1995 as % of non-agricultural labour force	ILO (1997)
TUDD952	Trade union density 1995 as % of wage and salary earners	ILO (1997)
TUDA90	Trade union density 1990 as % of wage and salary earners	OECD (1994) Employment outlook
TUDA94	Trade union density 1994 as % of wage and salary earners	OECD (1997) Employment outlook
TUDC95	Total union density 1995	Golden, Lange and Wallerstein (2002)
TUDE95	Net union density 1995	Golden, Lange and Wallerstein (2002)
TUDF200	Union membership as a percentage of all employment	EIRO (2002)
Dependent variables:		
EDPR95	Private expenditure on education as % of GDP 1995	OECD Education at a glance (2001)
EDPU95	Public expenditure on education as % of GDP 1995	OECD Education at a glance (2001)
EDTO95	Total expenditure on education as % of GDP 1995 (=public + private expenditure)	OECD Education at a glance (2001)
GPC95	Gross public social expenditure in % of GDP	Adema (2001)
HPE95	Public health expenditure as % of GDP in 1995	OECD Health Data (2001)
HPR95	Private health expenditure as % of GDP in 1995	OECD Health Data (2001)
HTE95	Total health expenditure as % of GDP in 1995 (=public + private expenditure)	OECD Health Data (2001)

INTR95	Income transfers as % of GDP	Atkinson and van den Noord (2001)
NTS95	Net total social expenditure in % of GDP 1995	Adema (2001)
SOCPRIV95	Private social expenditure in % of GDP (=mandatory private expenditure + voluntary private expenditure) 1995	OECD: Social expenditures data (2003)
SOCPUB95	Public social expenditures % of GDP 1995	OECD: Social expenditures data (2003)
SOCTOT95	Public and private social expenditures % of GDP 1995	OECD: Social expenditures data (2003)

References:

Adema, Willem (2001) "Net social expenditure." 2nd ed. Paris: OECD (Labour market and social policy – occasional papers; 52).
Atkinson, Paul and Paul van den Noord (2001) "Managing public expenditure: some emerging policy issues and a framework for analysis." Paris: OECD (Economics department working paper; 285).
Compston, Hugh (1994) "Union participation in economic policy-making in Austria, Switzerland, the Netherlands, Belgium and Ireland, 1970-1992." *West European Politics*, 17, 1, 123-45.
Compston, Hugh (1995a) "Union participation in economic policy making in Scandinavia, 1970-1993." *West European Politics*, 18, 1, 98-115.
Compston, Hugh (1995b) "Union participation in economic policy making in France, Italy, Germany and Britain, 1970-1993." *West European Politics*, 18, 2, 314-39.
Cusack, Thomas R. and Susanne Fuchs (2002) "Ideology, institutions and public spending." Berlin: Wissenschaftszenturm Berlin für Sozialforschung (Discussion paper P 02 – 903)
EIRO (2002) "Industrial relations in the EU member states and candidate countries." Available at: http://www.eiro.eurofound.ie/
Golden, Miriam; Lange, Peter; and Michael Wallerstein (2002). "Union centralization among advanced industrial societies: an empirical study." Dataset available at http://www.shelley.polisci.ucla.edu/data. Version dated September 19, 2002.
Hicks, Alexander (1999) *Social democracy and welfare capitalism: a century of income security politics*. Ithaca, NY: Cornell University Press.
ILO (1997) *World labour report 1997-98: industrial relations, democracy and social stability*. Geneva: ILO.
Kenworthy, Lane (2002) "Corporatism and unemployment in the 1980s and 1990s." *American sociological review*, 67, 367-388.
Kittel, Bernhard and Herbert Obinger (2003) "Political parties, institutions, and the dynamics of social expenditure in times of austerity." *Journal of European public policy*, 10, 20-45.
Lehmbruch, Gerhard (1984) "Concertation and the structure of corporatist networks." In: Goldthorpe, John, H. ed. *Order and conflict in contemporary capitalism: studies in the political economy of Western European nations*. Oxford: Clarendon Press, pp. 60-80.
Lijphart, Arend and Markus M.L. Crepaz (1991) "Corporatism and consensus democracy in 18 countries." *British journal of political science*, 21, 235-56.
Musgrove, Philip, Zeramdini, Riadh and GuyCarrin (2002) "Basic patterns in national health expenditure." *Bulletin of the World Health Organization*, 80, 134-146.
OECD (1994) Employment outlook 1994. Paris: OECD.
OECD (1997) Employment outlook 1997. Paris. OECD.
OECD (2001a) Education at a glance 2001. Paris: OECD.
OECD (2001b) OECD Health Data 2001. Paris: OECD.
OECD(2003) Social expenditures data. Paris: OECD; available through http://www.sourceoecd.org
Plasman, Robert and Francois Rycx (2001) "Collective bargaining and poverty: a cross-national persopective." *European journal of industrial relations*, 7, 175-202.
Schmidt, Manfred G. (1997) "Determinants of social expenditures in liberal democracies: the post world war II experience." *Acta politica*, 32, 153-173.
Wildavsky, Aaron (1985) "The logic of public sector growth." In: Lane, Jan-Erik ed. *State and market: the politics of the public and the private*. London: Sage, pp. 231-70, reprinted in Wildavsky, A. (1986) *Budgeting*. New Brunswick, NJ: Transaction.
World Bank (1995) *World development report 1995*. New York: Oxford University Press.