Job security regulations in Western democracies: 
A fuzzy set analysis

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

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

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

The analysis of the determinants of job security regulations is complicated by the lack of temporal variation. The OECD indicator of employment protection legislation exhibits a correlation of $r_p = 0.91$ between the earliest (1985) and the latest observation (2003), which sets narrow boundaries for statistical methods. Similarly, Holzmann et al. (2003: 3–7) argue that the development of job security regulations has been characterised by inertia in recent decades. Therefore, this article applies a long-term perspective. I am neither interested in recent changes in labour market regulation nor in the level of regulation today, but in the average level of regulation in the last two decades. The lack of temporal variation also has consequences for the arguments put forward in this article. First, I look for determinants that preceded this outcome. Second, I focus on determinants that are mostly time-invariant, such as religious denominations, institutional veto points and state–society relationships. Third, rather than employing very fine-grained indicators and engaging in exercises in ‘degreeism’ (Sartori 1991: 248–249), I use simple indicators that qualitatively distinguish between different states.

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

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

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

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

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

Catholic political culture is often considered the source of strict job security regulations (Esping-Andersen 1996, 1999). Catholic political culture exhibits a particular combination of value orientations. On the one hand, Catholics tend to be critical of unfettered market allocation and positive towards social policy interventions (social Catholicism). On the other hand, Catholics are opposed
Catholic social reformers are said to support job security regulations due to their ‘implicit familialism’ leading to a family’s virtually complete dependence on the male breadwinner (Esping-Andersen 1999: 23). By targeting social policy interventions at the male breadwinner, the whole family can be reached. The drawback is that the whole family becomes dependent on the income of the male breadwinner. Job security regulations institutionally strengthen traditional forms of family organisation with a working husband and caring wife, and are, as a result, supported by the Catholic Church.

The effect of Catholic political culture is not dependent on religiosity or particular political parties (Esping-Andersen 1996: 66). Instead, Catholic political culture provides the subjective orientation to all political actors independent of religiosity since its ‘impact is transmitted mainly through nationwide institutions, to the population of a society as a whole, even to those who have little or no contact to religious institutions’ (Inglehart & Baker 2000: 36). However, political culture is not the same thing as political action. Political culture is a ‘system of empirical beliefs, expressive symbols, and values which define the situation in which political action takes place’ (Verba 1965: 513). Political actions are influenced by the particular political culture of a community or country. An actor is needed for policy to be enacted. This is especially the case for job security regulations since these are mostly based on legislation. This is acknowledged by Esping-Andersen (1996: 75), when he argues that the predominance of the male breadwinner model meant that trade ‘unions came to battle for job security’. As a consequence, an interaction effect between a Catholic political culture and an implementing political force can be expected.

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

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

However, there are also other theories that posit a relationship between the strength of the labour movement and the level of regulation independent of religious factors. One builds on the insider/outsider theory of employment and unemployment (Lindbeck & Snower 1988). Saint-Paul (1996) and Rueda (2005) argue that social democratic parties and trade union movements try to increase the level of job security regulations to protect the labour market insiders from competition from the labour market outsiders. Emmenegger (2009) shows that empirical support for the predictions of the insider/outside theory of employment and unemployment is rather weak. However, his analysis finds that the working class (including labour market insiders and outsiders) supports job security regulations. Since a disproportionate share of the working-class vote goes to left-wing parties (Dalton 2006: 151–152), it can be assumed that the labour movement has an interest in supporting policies that strengthen job security.

The early power resources literature relies on a different logic and argues that the labour movement and left-wing parties generally support market restricting regulatory policies such as job security regulations (Botero et al. 2004: 1343–1344; Siegel 2007: 252). Korpi (1983) argues that the system of wage labour leads to relationships of authority and subordination among people, and creates the basis for class divisions. This subordination of the working class, however, can be scaled down by restricting the prerogatives of the representatives of capital through legislation or collective bargaining (Korpi 1983: 17) – for instance by abolishing the managerial prerogative to hire and fire at will (Korpi 1978: 326). As a consequence, the presence of left-wing parties in the government and the power resources of the trade union movement are crucial for the level of labour market regulation (Korpi 1983: 25).

Political actors may want to push through legislation on job security regulations, but are they able to do so? Institutional veto points have been identified as important mediating factors in public policy making (Huber et al. 1993). These include democratic political institutions that decrease the probability of overcoming the political status quo (Immergut 1990: 395–398). The more institutional veto points a government faces, the more difficult it becomes to increase the level of job security regulations. Institutional veto points are particularly important in interaction with political actors such as social democratic or religious parties. This can be illustrated by combining the arguments discussed so far: A high level of job security regulations can be expected in
Catholic countries with few institutional veto points and either a strong labour movement or a strong religious party.

A completely different line of thought is offered by Bonoli (2003). He argues that Esping-Andersen’s (1996, 1999) focus on familialism is misleading because a divergence in the use of socially protective job security regulations can be observed ‘well before the emergence of family forms other than that of the male breadwinner’ (Bonoli 2003: 1015). Instead, he credits political-economic traditions and state–society relationships (Badie & Birnbaum 1983; Crouch 1993) as well as path-dependency (Pierson 2000) for the differences in the level of job security regulations. Bonoli (2003) argues that countries have chosen certain policy paths in the provision of labour market regulation at crucial moments in the development of their modern industrial economies. These policy paths were determined by the state–society relationships that were dominant at that time. Once on a given policy path, countries continued to rely on well-known instruments in times of change. ‘These initial decisions seem to have affected policy development to a significant extent, so that in subsequent instances of social instability, such as the interwar period or the recessions of the 1970s, countries have tended to rely predominantly on those instruments that were already in place’ (Bonoli 2003: 1015–1016).

In Bonoli’s account, job security regulations are conceptualised as a form of social policy through labour markets. He identifies three different forms of political-economic traditions with corresponding social protection/labour market systems (Bonoli 2003: 1016–1017). Market capitalist countries, characterised by market dominance and a strong ideological influence of liberalism, rely on compensatory forms of social protection and redistributive income transfer programmes. Managed capitalist countries, marked by traditions of power-sharing between organised interests and the state, rely on collective bargaining systems and regulation of the labour market by trade unions and employers’ associations. Finally, state capitalist countries, characterised by state dominance of society and fragmented and radicalised labour movements, rely on social protection by law such as job security legislation. Bonoli expects to find high levels of job security regulations in this last group of countries.

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

The argument based on state–society relationships is linked to arguments based on denomination and on the strength of religious parties and the labour movement. In many state capitalist countries the conflict between the modernising state and the Catholic Church led to the development of central states that filled the political space and crowded out other social actors such as the Church or the labour movement (Crouch 1993; Madeley 2003). By challenging the modern state, the Catholic Church, accidentally and indirectly, supported the development of a state apparatus that tried to take over as many responsibilities as possible (Badie & Birnbaum 1983: 88). This also had consequences for religious parties as they mostly came into existence where a strong Catholic church was attacked by the modern liberal state (Kalyvas 1996), but it was also very consequential for the labour movement. Entering the field when culture wars between the Church and the state were already ongoing, the labour movement was often met with state repression (Bartolini 2000: 395–396; Madeley 2003: 25) and found the state inaccessible (Crouch 1993: 302). Frequently, this resulted in an ideological polarisation and fragmentation of the labour movement, which consequently reduced its power resources.4

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

Comparative capitalism scholars argue that employers in managed capitalist countries may not completely oppose job security regulations since these regulations also provide incentives to invest in skills (Estevez-Abe et al. 2001) and influence worker morale and firm–worker cooperation (Streeck 1991). As a consequence, job security regulations may increase productivity (Nickell & Layard 1999: 3055). Whether employers engage in such an exchange depends on the degree of non-market coordination in a
production regime (Swenson 2002). Being confronted with fragmented and weak interest organisations, a strategy relying on skill investments and firm-worker cooperation may be too perilous due to the lack of credible partners or the risk of losing skilled workers through poaching by other employers. For such a strategy to succeed, strong and encompassing interest organisations are needed.

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

Three conclusions can be drawn. First, the review shows that most theoretical arguments are interlinked. To reiterate an example already given: A high level of job security regulations can be expected in Catholic countries with few institutional veto points and either strong religious parties or a strong labour movement. Thus, the analysis of the determinants of job security regulations has to pay attention to the interactive nature of the theoretical arguments. Second, the theoretical arguments suggest that there are different paths that lead to high levels of job security regulations. For instance, Bonoli’s (2003) hypothesis can be combined with arguments based on the level of non-market coordination: A high level of job security regulations can be expected in countries characterised by either high levels of statism or high levels of non-market coordination. Therefore, the analysis has to allow for equifinality. Finally, some arguments are causally related to each other. For instance, conflicts between the modernising state and the Catholic Church led in some countries to the development of high levels of statism (Crouch 1993) and the development of Christian democratic parties (Kalyvas 1996). Consequently, the formal analysis has to be combined with a qualitative discussion of the historical development of job security regulations in the countries at hand in order to allow for a distinction between remote (Catholicism) and proximate (religious parties) causes.

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

QCA was developed by Ragin (1987) as a middle path between qualitative and quantitative social research. It is based on set-theoretic relations and focuses on explicit connections between conditions. This stands in stark contrast to methods based on correlations that focus on tendential relationships (‘net effects’) – regressions, for example. The focus on set-theoretic relations is asymmetrical, which allows addressing questions of necessity and sufficiency separately. QCA necessitates a dichotomisation of both conditions and outcome. This has been criticised as leading to an unnecessary loss of information. Depending on the research question, a dichotomous coding might be appropriate. However, in other cases, nuances in coding may allow for more subtleties in the relationships. In reaction to his critics, Ragin (2000) developed fsQCA, which is the combination of fuzzy set theory and QCA. Fuzzy sets allow for partial membership in a set. While QCA differentiates between black and white, fsQCA includes shades of grey.

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

Table 1 displays the fuzzy set scores for the outcome and the six conditions. Results are presented in equation form using letters as abbreviations for the conditions and the outcome. JSR represents job security regulations; C non-market coordination; S state–society relationships; L strength of the labour movement; P strength of the religious parties; R denomination; and V institutional veto points. Capital letters indicate the presence of a condition, while small letters indicate the absence of a condition – that is, JSR indicates a high level of job security regulations, and jsr indicates a low level of job security regulations. All raw data are from the period 1950–2000, except the outcome JSR (1985–2003) and the conditions religious denomination R (constant) and state–society relationships S (1920–1935). Since state–society relationships
<table>
<thead>
<tr>
<th>Country</th>
<th>Job security regulations</th>
<th>State–society relationships</th>
<th>Non-market coordination</th>
<th>Strength labour movement</th>
<th>Denomination</th>
<th>Strength religious parties</th>
<th>Veto points</th>
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were stabilised before 1945 (Whiteside & Salais 1998), this fuzzy set score must
go further back in time. See the online appendix for a detailed discussion of the
data sources.

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

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

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

Table 2 shows the results of the analysis of the necessary conditions for the
outcome ‘high level of job security regulations’. Schneider and Wagemann

<table>
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<th>Condition tested</th>
<th>Consistency</th>
<th>Coverage</th>
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<td>C</td>
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<td>0.743</td>
</tr>
<tr>
<td>L</td>
<td>0.714</td>
<td>0.793</td>
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<tr>
<td>R</td>
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<tr>
<td>P</td>
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<td>0.800</td>
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<tr>
<td>v</td>
<td>0.648</td>
<td>0.627</td>
</tr>
<tr>
<td>S + C</td>
<td>0.968</td>
<td>0.691</td>
</tr>
</tbody>
</table>
(2007: 213) recommend considering conditions to be necessary only if their consistency scores are very high. As a consequence, I use 0.90 as a threshold for accepting a condition to be necessary. As can be seen in Table 2, all consistency scores are clearly below 0.90. Thus, none of the six conditions alone is necessary for a high level of job security regulations.

An analysis of necessary conditions can also be performed for combinations of conditions. However, it is important to note that this is only meaningful if there are good theoretical arguments for these conditions to be combined (Schneider & Wagemann 2007: 59). This is the case for state–society relationship and the degree of non-market coordination. A high level of job security regulations (JSR) can only be expected in countries characterised by high levels of statism (S), high levels of non-market coordination (C) or both. This is indeed the case, as Table 2 reveals. The consistency score in the case of S + C is 0.968, making the combination of conditions S + C a necessary condition for the outcome JSR.

Figure 1 shows the relationship graphically. For a condition to be necessary, all cases should be located around or below the bisecting line (Ragin 2000: 215). In Figure 1, some cases are located next to, or even on, the bisecting line, while no case is clearly above the bisecting line. However, others are clearly below this line. This means that while a high level of statism or non-market coordination is necessary for the presence of the outcome JSR, their presence
is not sufficient. Some countries have low levels of job security regulations despite their rather high levels of statism (New Zealand and the United Kingdom) or non-market coordination (Denmark and Switzerland).

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

Furthermore, there may also be an effect of the level of statism in market capitalist countries. Today market capitalist countries such as Ireland, New Zealand and the United Kingdom exhibit low levels of job security regulations despite their rather high levels of statism at the beginning of the twentieth century. This is due to the strong ideological influence of liberalism (Bonoli 2003: 1016–1017). However, exactly those countries with a comparatively high level of statism among the market capitalist countries are also the countries that experienced the most profound transformations of their economic structure. Ireland, New Zealand and the United Kingdom all went through several deregulatory reforms in recent decades that moved them more towards the market capitalist ideal type (Box 1998; Deakin & Reed 2000; Glyn 2005).5

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

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

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

This result reveals many interesting regularities and crucial differences. First, the previously identified necessary condition, \(S + C\), can also be found in the analysis of sufficient conditions. More concretely, all countries with a high
level of job security regulations exhibit a high level of statism, a high level of non-market coordination or both. However, statism and non-market coordination alone are not sufficient conditions since both Denmark and Switzerland, despite high levels of non-market coordination, have low levels of job security regulations, while New Zealand and the United Kingdom are characterised by low levels of job security regulations despite high levels of statism.
Second, no single condition is included in all combinations. This is not surprising. High levels of job security regulations can be observed in non-Catholic countries such as Norway, in countries with weak labour movements such as Portugal and in countries with weak religious parties such as France.

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

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

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

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

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

State capitalist countries (France, Italy, Portugal and Spain) are characterised by high levels of statism, Catholicism and, with the exception of Spain, few institutional veto points. In these countries, the Catholic Church became the
rallying point for all forces alienated from modernisation (Crouch 1993: 301). In France and Italy, Catholicism led to a high level of statism because the Church challenged the legitimacy of the modernising state. In contrast, in Portugal and Spain, the Catholic Church sided with the authoritarian central states against the democratising forces. As a reaction to these challenges, the nation-states have built up a comprehensive administration, a tight network of regulations and filled the political space (Crouch 1993). Thus, the rejection of modernisation by the Catholic Church led to the emergence of strong, though not necessarily efficient, states (Badie & Birnbaum 1983: 88–89).

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

The conflict between state and Church also had profound consequences for the labour movement (Crouch 1993; Bartolini 2000; Madeley 2003). Confronted with dominant states not willing to share political space, labour movements remained organisationally weak and turned radical. Crouch (1993) describes the interest intermediation mode in these countries as one of contestation. However, the strength of the labour movement is not totally unrelated to the level of job security regulations, as the Italian case illustrates. The Worker’s Charter of 1970, which led to the considerable strengthening of dismissal restrictions, was the direct result of the workers’ increased power resources and the subsequent protests of 1968–1969 (Regalia et al. 1978: 152).

Second, an explanation based on Catholicism suffers from a ‘timing problem’. In the 1970s, most countries considerably intensified job security regulations for the last time. However, religion had already lost a great deal of its influence (Norris & Inglehart 2004). Furthermore, Esping-Andersen’s (1996) argument is based on the conservative family values that Catholicism supports. However, until the 1960s social democratic parties and the trade union movement also endorsed the male breadwinner model, even in unlikely places such as Sweden (Bonoli 2003: 1015; Naumann 2005: 54). In fact, when
the Swedish labour movement started to support actively the labour market entry of women in the 1960s (Naumann 2005), thus abandoning these conservative family values, they also started to push for more dismissal restrictions (Korpi 1978: 326–327; Elvander 1983: 353).

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

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

The Continental European managed capitalist countries (Austria, Belgium and Germany) are characterised by high levels of statism and non-market coordination, Catholicism and strong religious parties. The main differences from the state capitalist countries discussed above are the presence of a high level of non-market coordination and strong religious parties. In these three countries, employment relationships were regulated very early by law. Germany was the first European country to restrict dismissals for insufficient objective reasons (Vogel-Polsky 1986: 189). The 1920 Works Councils Act was passed 49 years before the International Labour Organisation (ILO) proclaimed the concept of ‘unfair dismissal’ as an international standard. Even when the Works Council Act was replaced in 1934 by the Act on the Reorganisation of National Labour, by which the national socialist government abolished the work councils, the protection against unfair dismissals was not abrogated (Birk 1993: 248).

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

The story is similar in Austria and Belgium. The Belgian state has been very critical of the labour movement. Belgian law prescribed penalties against workers’ associations and privileged employers in court. The legal discrimination was finally removed in 1921 (Vilrocx & Van Leemput 1992: 360). Nevertheless, the Belgian labour movement gained strength in the second half of the
nineteenth century. Protests in 1886 – the ‘Black Year’ – led to changes in government policy. Politicians turned to reforms instead of repression and passed several acts on the legal status of trade unions and working conditions. Since then, working conditions have remained subject to legislation. The important social pact between trade unions and employers’ associations following the Second World War did not incorporate questions of working conditions or dismissal restrictions (Blanpain 1988: 36). In Austria, the development of labour law has been delayed due to late industrialisation (Strasser 1982: 38). After the First World War I, the Austrian state regulated many facets of the labour relations (Strasser 1982: 39). Thereby, Austria followed a similar pattern to Germany (Rüegg 1981: 51).

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

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

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

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

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

In the Nordic managed capitalist countries, labour market regulations have traditionally been subject to collective bargaining (Kjellberg 1992; Due et al. 1994; Elvander 2002). Norway is a partial outlier here since individual employment rights are predominantly regulated by law and only extended by collective agreements (Dølvik et al. 1997). There are two reasons for the important role of collective bargaining. First, the Nordic managed capitalist countries did not possess a comprehensive legal code that also incorporated labour market regulations (Sundberg 1969: 201). Second, the development of the trade union movement was not constrained by the state (Armingeon 1994: 36–40). Not checked by a powerful state, the trade union movement quickly gained in strength and challenged the employers. The employers rose to the challenge by concentrating their organisations to engage in centralised bargaining with the trade unions – an organisational move that was quickly imitated by the trade unions (Due et al. 1994; Swenson 2002). Labour market regulation through collective agreements is only possible in presence of well-organised and representative interest associations and cooperative bargaining relations. This is reflected by the inclusion of a high level of non-market coordination in the result of the fsQCA analysis.

The regulation of dismissals through collective bargaining generally led to comparatively low levels of regulation. This is mirrored in the famous Swedish Rehn-Meidner model. Solidaristic wage policy increased the pressure on unprofitable enterprises while allowing profitable enterprises to invest and expand. Workers were expected to change from unprofitable enterprises to successful ones. This was institutionally supported by active labour market policies. In such an economic model, extensive job security regulations would be out of place and were consequently not supported by social democratic governments (Pontusson 2005a: 125–126; Hall 2007: 74). However, the com-
promise between the state, trade unions and employers’ associations was challenged in the 1960s. Workers’ growing demand for job security regulations led Norwegian and Swedish trade unions to demand public legislation (Kjellberg 1992: 97–98; Dølvik et al. 1997: 54). This resulted in the 1974 Employment Protection Act in Sweden and the 1977 Work Environment Act in Norway. Social democratic governments passed both Acts despite opposition from employers’ associations. This is reflected by the inclusion of the conditions ‘strong labour movement’ and ‘few institutional veto points’ in the result of the fsQCA analysis.7

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

The Netherlands is somewhat of an outlier in this group, although it has also been classified as a ‘socialist welfare regime’ by Esping-Andersen (1990: 74) in his contribution on different worlds of welfare. The Dutch government played only a small role in social policy and labour law before the First World War, with the exception of (short) notice periods prior to the termination of a permanent contract and occupational safety and health regulations (Bakels 1987: 22; Deelen et al. 2006: 65; Van Kersbergen 2009: 120). This was due to the strength of the liberal movement. However, during the Second World War, the German occupiers passed a law on job security, modelled after the German Act on the Reorganisation of National Labour, which the Dutch government decided to uphold after the war (Deelen et al. 2006: 65). Moreover, in the 1940s, the political projects of Christian and social democracy converged in the areas of social and family policy (Van Kersbergen 2009: 134). This ‘Roman-Red’ coalition became very active and, supported by collaborative labour relations and confronted with few institutional veto points, set the tone for future social policy development, which was also binding for the coalitions that came after (Van Kersbergen 2009: 120–121). These social policy activities also included many new labour laws (Bakels 1987: 22–23).8

Low levels of job security regulations in the market capitalist countries

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

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

Conclusions

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

The analysis of sufficient conditions reveals three paths to high levels of job security regulations (equifinality). The first path covers the state capitalist countries and is characterised by high levels of statism. These countries’ high levels of statism are the result of conflicts between the forces alienated by modernisation, such as the Catholic Church, and forces supporting the introduction of liberal democracy, which led to the emergence of contentious indus-
trial relations and, in some cases, religious parties. In these countries, governments turned to legislation as the primary source of social protection in the absence of encompassing and collaborative trade unions.

The second path covers the Continental European managed capitalist countries and is also characterised by high levels of statism. In these countries, repressive governments employed a stick-and-carrot strategy to weaken the labour movement. After defeat in the Second World War, these countries turned to a more reformist approach and collaborative industrial relations emerged. However, these countries already entered the path of public provision of job security regulations before collaborative industrial relations came to exist.

Finally, the third path covers the Nordic managed capitalist countries. This path is characterised by a high degree of non-market coordination, strong labour movements and few institutional veto points. In these countries, job security regulations have traditionally been subject to collective agreements. However, in the 1960s, the labour movement started to demand public legislation and succeeded in the 1970s, except in Denmark, thanks to left-wing governments and despite opposition from employers’ associations.

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

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

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

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

Finally, the analysis identified the Netherlands as an important outlier. Although characterised by relatively low levels of statism, the Dutch labour market parties did not manage to regulate the labour market by means of ‘basic agreements’ due to the fragmentation of the trade union movement. Nevertheless, reforms during the German occupation in the Second World War (which the Dutch government decided to uphold after the war) and subsequent reforms led to the enactment of restrictive job security regulations. This sets the Dutch case apart from any other case covered by this study.

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

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Notes

1. The analysis is based on 19 cases (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States). Not included are Greece and Japan since Esping-Andersen (1996, 1999) does not discuss Greek Orthodox and non-Christian countries, as well as small countries like Iceland and Luxembourg (data availability).
2. The labels are taken from Schmidt (2003).
3. Classification of countries into different varieties of capitalism might be influenced by the presence of job security regulations. Consequently, I refrain from using such a calibration in the empirical part. Instead, I use a fuzzy set score inspired by the concept of ‘stateness’, which Bartolini (2000: 314) defines as the extractive, regulative and repressive resources a state holds vis-à-vis society. I argue that high levels of stateness are a necessary condi-
tion for high levels of statism (i.e., the practice of giving a powerful and centralised government control over social and economic matters) as the state can only dominate state–society relationships if it has sufficient resources to do so.

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

5. These deregulatory reforms have not always included job security regulations (e.g., Ireland [Glyn 2005: 204]).

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

7. The story is very similar for Finland, although all four resulting combinations of conditions cover Finland. Dismissals used to be regulated by collective agreements (Emerson 1988: 809). However, in 1970 a left government passed legislation concerning employment protection (Sigeman 2002: 259).

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

Supporting Information

Additional Supporting Information may be found in the online version of this article:

Appendix S1.

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Emmenegger, P. (Forthcoming). The long road to flexicurity: The development of job security regulations in Denmark and Sweden. Scandinavian Political Studies.


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