TURUN YLIOPISTO
UNIVERSITY OF TURKU

THE ROLE OF TRADE UNIONS AND ECONOMIC GLOBALIZATION IN CONTEMPORARY SOCIAL POLICY

Ari-Matti Näätänen

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ABSTRACT

Trade unions in the Organization for Economic Co-operation and Development (OECD) countries have traditionally supported the expansion of social policies to protect wage-earners against various risks associated with the labor market, such as illness, unemployment, and work incapacity. Comprehensive social policy arrangements also promote employees' bargaining power across sectors and work in the public sector specifically. However, the proportion of unionized members among employees and the coverage of collective bargaining have been dwindling in most OECD countries for at least three decades. Arguably, the decline of trade unions (de-unionization) has fundamentally changed their political aims. In the 21st century, the argument that modern trade unions focus primarily on advancing the interests of their existing members at the expense of employees in a more vulnerable labor market position is widely known among policy experts. For welfare states, this change in the social politics of trade unions would denote, for example, declining social and employment policy expenditure and growing income disparities.

Added to the de-unionization, the politics of welfare states has also been influenced by accelerating economic globalization. Mainly since the mid-1980s, economic globalization accelerated, whereby people, goods, capital, and services began to move more freely internationally. Initially, economic globalization was forcing welfare states to compete against each other through taxation in the open world economy. For welfare states, the internationally increasing competition over jobs and investments was seen to entail lower tax income, which can endanger publicly funded social services and transfers. At the turn of the 2000s, this race to the bottom argument was found empirically dubious. First, the small and open economies, such as the Nordic countries, had and still have tax-funded and comprehensive social policy systems. Second, there was a lack of any clear evidence of the unilateral race to the bottom among OECD countries; in the European countries, the retrenchment of social expenditure and increase of income disparities mainly concerned Great Britain in the 1980s. It became increasingly clear that, while economic globalization exacerbates the predicaments that citizens face in the labor markets, it also creates demand for social policies that aim to mitigate these increased uncertainties of human life.

Therefore, both trade unions and economic globalization have been pivotal in the analysis of social policy change in the recent decades. This dissertation

contributes to the literature of contemporary social policy by bringing the empirical linkages of de-unionization and economic globalization together for comparison and evaluation for the first time.

In this dissertation, I examine the relationship of trade unions and economic globalization with social policies in the OECD countries from four perspectives: government expenditure (including all government functions ranging from defence to social services), social policy expenditure, employment policy expenditure, and income disparities. I also analyze the role of trade unionism in national economic competitiveness because of its critical importance for the finances of welfare goods and services. The research period starts in the 1980s and ends, on average, in 2013. The data cover an average of 20 OECD countries, and the research design is internationally comparative. As trade unions and economic globalization change over time, all five peer-reviewed articles in this dissertation focus on explaining the development of social policy over time in the OECD countries.

My main finding determines that, while economic globalization most likely reduces central government and employment policy spending, it increases spending on social policy. This analysis indicates that the effects of economic globalization differ substantially between types of public policy. Since social policy expenditure is more likely to expand when economic globalization intensifies, the labor market risks raised by economic globalization may increase voters' demands to compensate for the risks through social policy. Additionally, national competitiveness in the global economy fosters public finances via increased tax income, which allows more financial room to maneuvre for social policy expansion. It is likely that welfare provisions and services increase worker well-being such that spending on social policies is more often an advantage than a disadvantage in the global economy.

I further ascertain that the shrinking effect of economic globalization on employment policy expenditure is not unilateral across all OECD countries. In a sample of 19 OECD countries, the race to the bottom hypothesis most clearly relates to Sweden, Denmark, Germany, and the Netherlands. Thus, from the perspective of economic globalization, the decreasing effect on employment policy spending mainly involves the forerunners of employment policy—meaning the countries that allocated significantly more resources to employment policy in the 1980s and 1990s.

My results show no significant effects of economic globalization on income disparities. However, this does not mean that economic globalization is disconnected from income disparity development the real-world contexts. Inversely, the aspects of economic globalization that increase income disparity, such as labor market polarization, and mechanisms that reduce it, such as rising demand for social spending, act simultaneously in the analysis. In this case, the net result on the link between economic globalization and income disparities appears non-significant, although the phenomenon is explained by a much more dynamic process. Instead of economic globalization, high unemployment and labor market polarization will increase income disparities among welfare states. My analysis reveals that income disparities are most clearly reduced by comprehensive welfare state actions (e.g., high spending on social policy), strong trade unions, and stark progressive taxation.

The take-home message of my thesis is that instead of economic globalization, the weakening of the trade unions in terms of membership base and coverage of collective agreements appears to reduce social and employment policy spending and increase income disparities. Possibly, the weakening of the trade unions has affected their ability to pursue expansive social policy; perhaps trade unions' decline in national political importance and loss of bargaining power over states and employees can explain these results. The decline in membership base and collective bargaining power may also have altered the political goals of trade unions. They may have increasingly turned their focus to the interests of a narrower group of workers, reducing the importance of comprehensive social policy to their political agenda. The current research does not distinguish between the two explanatory theories. Thus, the debate regarding the impact of the trade unions on the retrenchment of social policy and increasing income disparity is likely to continue.

Finally, my results suggest that the decline of unions may be harmful to the economic growth especially in the Continental and in the Nordic countries. Specifically, my findings imply that deunionisation may affect negatively to the functioning of the Continental and the Nordic type of capitalism, which is associated with more rapid GPD growth and a higher probability of firms moving back to their country of origin.

KEYWORDS: social policy, employment policy, income disparity, economic competitiveness, trade union movement, economic globalization, OECD countries, systematic literature review, meta-analysis, panel analysis, time-series analysis

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TIIVISTELMÄ

Toisen maailmansodan päättymisen jälkeen ammattiyhdistysliike OECD-maissa on yleensä kannattanut sosiaalipoliittisten etuuksien ja palveluiden laajentamista. Tällä tavoin ammattiyhdistysliike on ollut lieventämässä erilaisista työmarkkinoiden riskeistä, kuten sairaudesta, työttömyydestä tai työkyvyttömyydestä aiheutuvia inhimillisiä seurauksia palkansaajille. Lisäksi kattava sosiaaliturva vähentää palkansaajan riippuvuutta työtuloista, eli taloudellista riippuvaisuutta työnantajasta. Tämä edistää palkansaajien neuvotteluasemaa suhteessa työnantajiin. OECD-maissa 1970- ja 1980-luvuilla alkanut ammattiyhdistysliikkeen heikentyminen sekä jäsenmäärän että työehtosopimusten kattavuuden näkökulmista on kuitenkin voinut muuttaa ammattiyhdistysliikkeen sosiaalipolitiikan lähtökohtia. 2000-luvulla uudelleen tutkijoiden kiinnostuksen herättäneen väitteen mukaan moderni ammattiyhdistysliike keskittyy aiempaa kapeamman jäsenkunnan edun ajamiseen kaikkien palkansaajien intressien huomioimisen sijasta. Tämä tarkoittaisi heikentyvää sosiaalipolitiikan resursointia ja kasvavia tuloeroja ammattiyhdistysliikkeen edunvalvonnan loitontuessa työmarkkinoiden heikompiosaisista.

Talouden globalisaation avulla on pyritty kuvaamaan sosiaalipolitiikan muutosta 1970-luvulta alkaen, mutta erityisesti 1990-luvun puolenvälin jälkeen. Talouden globalisaatiolla tarkoitetaan niitä moniulotteisia prosesseja, joiden myötä ihmiset, tavarat, pääoma ja palvelut liikkuvat kansainvälisesti aiempaa vapaammin tai vähäisemmin kustannuksin. Talouden globalisaation väitetään usein kaventavan sosiaalipolitiikan menoja. Tunnetun kilpajuoksu pohjalle -teorian mukaan talouden globalisaatio asettaa hyvinvointivaltiot kilpailemaan verotuksen keinoin kansainvälistyvien yritysten investoinneista ja työpaikoista. Etenkin työnantajiin ja pääomaan kohdistuvan verotuksen on väitetty keventyvän kansainvälisen verokilpailun kiristymisen vuoksi. Kuitenkin verovaroista rahoitettu kattava sosiaaliturvajärjestelmä on edelleen käytössä kansainväliselle kaupalle avoimissa Pohjoismaissa. Se on vähentänyt kilpajuoksu pohjalle-väitteen uskottavuutta. Sosiaalipolitiikan laajentumista globalisaation aikakaudella on selitetty usein siten, että talouden globalisaatio lisää työmarkkinoiden polarisaatiota ja työttömyyttä. Näiden palkansaajan kannalta epätoivottujen talouden globalisaation seurausten on ajateltu johtavan sosiaalipolitiikan laajentumiseen, koska päättäjät voivat pyrkiä suojaamaan kansalaisiaan talouden globalisaation voimistamilta työelämän riskeiltä sosiaalipolitiikkaa laajentamalla.

Sekä ammattiyhdistysliike että talouden globalisaatio ovat siis olleet keskeisiä tekijöitä sosiaalipolitiikan muutoksen analyysissä 1970-luvulta lähtien kehittyneissä hyvinvointivaltioissa. Tämä väitöskirja tuo aihealueen viimeaikaiset empiiriset tulokset ensimmäistä kertaa yhteen vertailua ja teoreettista arviointia varten tuoden tällä tavoin lisäarvoa suhteessa olemassa olevaan tutkimuskirjallisuuteen.

Tässä väitöskirjassa tutkin ammattiyhdistysliikkeen ja talouden globalisaation yhteyttä OECD-maiden sosiaalipolitiikkaan neljästä näkökulmasta. Nämä ovat julkisen talouden menot (kattaen kaikki valtion ja kuntien veroista ja veroluonteisista maksuista kustannetut menot armeijasta ja elinkeinopolitiikasta sosiaalipolitiikkaan), sosiaalimenot, työllisyyspolitiikan menot ja tuloerot. Lisäksi tarkastelen ammattiyhdistysliikkeen heikentymisen yhteyttä kilpailukykyyn, koska se on sosiaalipolitiikan rahoituksen kannalta relevantti tekijä. Tutkimusajanjaksoni alkaa 1980-luvulta ja päättyy keskimäärin vuoteen 2013. Artikkelista riippuen tutkimusaineisto kattaa 19–21 OECD-maata ja tutkimusasetelma on kansainvälisesti vertaileva. Viisi tämän väitöskirjan vertaisarvioitua artikkelia keskittyvät OECD-maiden ajallisen muutoksen selittämiseen, koska hyvinvointivaltioiden toisen maailmansodan jälkeisen historian valossa sekä ammattiyhdistysliike että talouden globalisaatio muuttuvat ajassa.

Tulosteni mukaan talouden globalisaation julkisen talouden menoja supistava vaikutus ei koske sosiaalipolitiikan rahoitusta. Sosiaalipolitiikan kohdalla maan avoimuus kansainvälisillä markkinoilla lisää usein rahamenoja, ei vähennä niitä. Väitän, että talouden globalisaation voimistuessa kansalaisten vaatimukset kohonneiden työelämän riskien kompensoimiseksi kohdistuvat voimakkaammin sosiaalipolitiikkaan, koska se lieventää suoraan näiden riskien, kuten työttömyyden, sairauden ja työkyvyttömyyden inhimillisiä seurauksia. Laaja sosiaalipolitiikka voi myös lisätä yritysten kilpailukykyä lisäämällä osaavan ja työkykyisen työvoimansaatavuutta, mikä voi lisätä verotuloja ja sitä kautta sosiaalipolitiikan rahoitusta.

Esitän, että talouden globalisaation sosiaalipolitiikan menoja lisäävä vaikutus ei koske työllisyyspolitiikkaa OECD-maiden tasolla. 19 maan aineistossa talouden globalisaation työllisyyspolitiikan menoja vähentävä yhteys koskee selkeimmin Ruotsia, Tanskaa, Saksaa ja Alankomaita. Näin ollen talouden globalisaatio näkökulmasta työllisyyspolitiikan ’kilpajuoksu pohjalle’ koskee pääasiassa työllisyyspolitiikkaan 1980- ja 1990-luvuilla keskimääräistä selkeästi enemmän resursseja allokoineita maita.

Analyysini mukaan talouden globalisaation yhteys tuloeroihin ei ole selkeä suuntaan tai toiseen. On mahdollista, että tuloeroja lisäävät talouden globalisaation osa-alueet, kuten työmarkkinoiden ammattirakenteen muutos, ja vähentävät mekanismit, kuten sosiaalimenojen kasvu, vaikuttavat samanaikaisesti. Tällöin talouden globalisaation ja tuloerojen yhteyden nettotulos näyttää teknisen analyysin perusteella neutraalilta, vaikka tosiasiassa ilmiötä selittää huomattavasti dynaamisempi prosessi. Talouden globalisaation sijaan tuloeroja kasvattavat selkeimmin korkea työttömyys ja työmarkkinoiden polarisoituminen. Tuloeroja vähentävät selkeimmin sosiaalimenot, ammattiyhdistysliike ja progressiivinen verotus.

Talouden globalisaation sijaan ammattiyhdistysliikkeen heikentyminen näyttäisi vähentävän sosiaali- ja työllisyyspolitiikan menoja sekä voimistavan tuloerojen kasvua. Näin ollen on mahdollista, että ammattiyhdistysliikkeen heikkeneminen on vähentänyt sen mahdollisuuksia toteuttaa sosiaalipolitiikkaa laajentavaa vaikuttamistyötä. Jäsenmäärän ja työehtosopimusten kattavuuden lasku on myös voinut johtaa ammattiyhdistysliikkeen keskittymiseen aiempaa kapeamman työntekijäjoukon intresseihin, jolloin kattavan sosiaalipolitiikan merkitys on vähentynyt sen asialistalla. Koska nykytutkimus ei pysty erottelemaan ammattiyhdistysliikkeen heikentymistä sen poliittisista seurauksista, keskustelu ammattiyhdistysliikkeen sosiaalipolitiikkaa kaventavasta ja tuloeroja lisäävästä vaikutuksesta jatkuu todennäköisesti tulevaisuudessa.

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AVAINSANAT: Sosiaalipolitiikka, työllisyyspolitiikka, tuloerot, taloudellinen kilpailukyky, ammattiyhdistysliike, talouden globalisaatio, OECD-maat, systemaattinen kirjallisuuskatsaus, meta-analyysi, paneelianalyysi, aikasarja-analyysi.

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Espoo, Finland, June 2023
Ari-Matti Näätänen

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List of Original Publications

This dissertation is based on the following original publications, which are referred to in the text by their Roman numerals:

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II. Ari-Matti Näätänen. Tying up the loose ends: The determinants of active labour market policy in the Western countries 1985–2013. *Review of European Studies*, 9(2), 2017, 192–203

III. Ari-Matti Näätänen. Globalisaation vaikutus aktiiviseen työvoimapolitiik-kaan. Meta-analyysi In J. Kajanoja (ed.). *Työllisyyskysymys*, 2018, Helsinki: Into. 87—110

IV. Ari-Matti Näätänen. Talouden globalisaation yhteys länsimaihin julkisen sektorin, sosiaalimenojen ja tuloerojen näkökulmista. *Yhteiskuntapolitiikka*, 85, 2020 (5—6), 531–541. Helsinki: THL

V. Ari-Matti Näätänen & Mari Anttila. Ammattiyhdistysliikkeen yhteys sosiaalimenoihin, tuloeroihin ja kilpailukykyyn. *Yhteiskuntapolitiikka*, 87, 2022 (1), 30–44. Helsinki: THL

1 Introduction

This dissertation concerns social policy in post-industrial societies—specifically, how it has been affected by the development of economic globalization and trade unions during the recent decades. One way of defining social policy in the temporal context utilizes the concepts of decommodification and recommodification. In the context of contemporary social policy, Esping-Andersen (1990, 49–50) describes decommodification as the capacity, conferred by welfare state services and support, to "maintain one's standard of living while separated from the labor market due to old age, sickness, or unemployment." Esping-Andersen (1989, 164) further clarifies that "a minimal definition [of a decommodifying welfare state] must entail that citizens can freely, and without potential loss of job, income, or general welfare, opt out of work when they consider it necessary." Polanyi (1957), a pioneer in the idea of decommodification, concludes that social legislation, factory laws, unemployment insurance, and, above all, trade unions have their purpose of making human labor less dependent on labor market income.

Instead of becoming a utopia of decommodified citizens, however, the contemporary social policy is, in some instances, defined by the recommodification of workers (Pierson 1994, 1996). Recommodification is the opposite of decommodification, involving an increasing dependency of workers on the market for social security (Pierson 2002). Due to the activation turn starting in the mid-1990s, the importance of work has been highlighted for example by extending the monitoring of the unemployed and increasing their financial incentives for work (Esping-Andersen, Gallie, Hemerijck, & Myles, 2002). Because of the increase of activation policies, the possibility of opting out of the labor market is severely restricted in practice in contemporary welfare states (Dukelow 2021; Huo, Nelson, & Stephens 2008).

Economic globalization provides the first perspective on the development of social policy in my work. Hitherto, economic globalization has been a process often linked to the growth of mobile capital, deregulation of trade barriers, translational ownership of companies, free movement of people, and increasing international production chains. Through the integration of global stock markets since 1980s, the possibilities for foreign investments grew rapidly (Powell & Hendricks 2012).

Development included increasing competition over investments, that show in improvements of operational efficiency through advancements in technology and innovation. Thus, the companies most exposed to the global competition are often at the forefront in the adoption of the new technologies (IMF 2018). At the country level, the putting new technologies into use often correlates with public investments in, for example, education, social capital, and domestic research (IMF 2018).

Economic globalization means, for example, that products are increasingly designed, manufactured, and sold in different parts of the world. For business owners, the opening of world markets in the 1980s enabled them to seek lower production costs by moving their factories to countries where labor is cheaper (Jessop 1993, 2002; Holton 2011). Of the many faces of globalization, the risks of unemployment and atypical work were heightened, especially among the blue-collar workers whose jobs could be externalized to countries with lower labor costs, for example, China, the world's factory (Autor, Levy, & Murmane 2003; Acemoglu & Autor 2011). The fact that several industrial owners took the opportunity and moved their facilities abroad reinforced labor market polarization, causing new challenges not only for national social policy systems but also trade unions (De Beer & Koster 2009; Jessop 2002).

The second focus of my dissertation is the association between the decline of trade unions and social policy development. In theory, trade unions are often associated with the political aim of making wage-earners less dependent on market income (decommodification) (Streeck & Hassel 2003; Hassel 2003; Korpi 2002, 2006). Trade unions gather the political force of the working class, seeking to collectivize through social policy the same risks (unemployment, sickness, disability) heightened by economic globalization (Esping-Andersen 1985; Korpi 2002, 2006).

A defining aspect of modern trade unions is their decline in membership and institutional status (for example, collective bargaining coverage) or de-unionization. De-unionization has persisted for at least three decades across the Organization for Economic Co-operation and Development (OECD) countries (see Bledow 2021, 13). The union decline does not necessarily imply that workers see the politics of trade unions as unfitting for contemporary working life. Contrarily, Daryl D'Art and Thomas Turner (2008) state that a substantial majority of respondents of the European Social Survey believe that workers need the protection of strong unions. They find that belief in the necessity for trade unions is persistent among employees, and that this belief has strengthened since the 1980s.

Many reasons for union decline are theoretically linked to economic globalization, but not all. First, the bargaining power of unions is greatly reduced by the threat of outsourcing enabled by increased economic openness. If negotiation with employees does not go as planned, business owners and their associates have an ace up their sleeve: the possibility of outsourcing to a country where unions are not an issue (Perry 1997). Second, the increasing influence of international stakeholders over firms' management strategies has decreased employers' support for union cooperation in the workplace or employers do not see cooperation with unions as necessary as previously (Kollmeyer & Peters 2019). Third, jobs in traditionally highly unionized industry sectors have most often been externalized, whereby the proportion of highly unionized workers began to shrink (Scruggs & Lange 2002). Service sector professionals, whose share of the labor force increased, had traditionally and still have lower rates of unionization, i.e., the unionization rate is being impacted by structural changes in the labor market. (Gumbrell-McCormick & Hyman 2013, 52). For example, Hogedahl and Moberg (2022) find that the lack of trade union representation weakens the social custom where workers join union. For example, many young workers are employed in parts of the labor markets with low union density and collective bargaining agreement. This means fewer shop stewards and other trade union representatives (Hogedahl and Moberg 2022). Furthermore, there are country-specific reasons for union decline. For example, in Sweden, Denmark, and Finland, independent unemployment insurance funds that are not associated with the labor movement have become increasingly popular (Shin & Böckerman 2018; Kjellberg & Nergraard 2022). Independent unemployment funds are one of the primary causes of union decline, as they weaken the Ghent system in the abovementioned countries. In the Ghent system workers insure themselves against the risk of unemployment through the trade union that also does the labor market negotiations with the employer organization. A vast literature confirms that the Ghent system has strongly contributed to the union densities since the 1950s (e.g., Rasmussen & Pontusson 2018).

One of the most prominent arguments regarding the consequences of economic globalization for welfare states is proposed by Ramesh Mishra. Mishra (1999, 4) argues that, due to the opening of the global economy, firms and their stakeholders may make increasingly credible claims concerning outsourcing of the business if their interests in easing the financial burden on welfare state finances are not considered politically (also Gilbert 2002; Holton 2011). Given the importance of firms to the finances of the welfare state, economic globalization restores the societal power of capital companies lost during the construction period of the welfare states (Beck 1999; Bauman 1998; Jessop 1993, 2002). Economic globalization thus creates "an economic and political climate in which national states become more conscious of the taxes they levy and their potential economic implications" (George & Wilding 2002, 62). Thus, many influential commentators believed that welfare states would race to the bottom when economic globalization intensified (Shin 2000; Brady & Lee, 2014).

However, the political responses to the increasing pace of economic globalization among welfare states were not univocal, as proposed by the race to the bottom hypothesis (Weiss 2005; Bonoli, George, & Taylor-Gooby 2000). Writers like Dani Rodrik (1996) and Peter Katzenstein (1985; Garrett 1998) countered the solution of less social policy by noting that large governments, as in the case of the Nordic countries, may also be competitive in the international markets. Despite a significant tendency in recent decades for direct corporation tax to shrink, in line with the race to the bottom hypothesis, the overall burden of taxation on firms has remained constant, even rising marginally since the 1980s (Swank 2002; Brys, Matthews, & Owens 2011).

In addition, throughout the post-war period, Europe's most open economies (except Britain) sought competitiveness based on quality of goods and services, not cost. Thus, they have primarily sought to promote permanent innovation in production as opposed to productivity gains based on hire and fire and the elimination of supply-side rigidities, high and stable levels of human and physical capital formation, and inclusive and encompassing labor market institutions (Rodrik 1996). Therefore, instead of being seen as a burden or just a comparative advantage, welfare states can be perceived as a competitive necessity in the open markets (Genschel 2004; Hay 2011, 218).

In understanding the role of economic globalisation in social policy, one possible approach is presented in the often-cited compensation thesis. It aims to explain why the race to the bottom hypothesis is empirically dubious. The compensation thesis departs from the perception that, in the post-World War II era, international trade was bolstered by significant levels of government intervention in markets and social insurance (Wilensky & Lebeaux 1958; Cutright 1965; Pryor 1968). A large welfare state may also enable governments to lessen insecurities and risks attendant to internationalization more effectively than a small welfare state (Cameron 1978; Katzenstein 1985). A large welfare state can also execute minor yet potentially significant adjustments to international openness, like investing in employment policies to maintain the skills and employability of unemployed individuals (Auer, Umit, & Leschke 2008; Armingeon 2007). Following these lines, this argument further assumes that welfare states continue to provide ample social insurance against international risks to employment and income, besides compensation to those who lose out due to global market competition (Garrett 1998; Rodrik 1998, Busemeyer & Garritzmann 2019). The potential origins of compensation are sometimes traced back to political exchange between workers in export sectors (tradable sector) and other industries (non-tradable sectors) (Garrett & Lange 1995). Workers in the export sector may agree to support redistributive social and employment policies for those in public sector in return for support for wage restraint that benefits firms that operate internationally (Garrett & Lange 1995; Swank 2002).

As economic globalization progresses, welfare states' capacity to resist global welfare state pressures has become increasingly visible (Pierson 1998, Goerres, Kumlin, & Karlsen 2019). While economic globalization was previously described as a challenge, the term controversy was introduced to mainstream literature. This concept was introduced as the empirical research could not substantiate a direct and univocal impact of some alleged pressures, of which economic globalization was one of the most prominent (Castles 2004, 2011, 242). At the turn of the millennium, research demonstrated that, even in light of persistent problems in the 1990s of low economic growth and high unemployment, many mature welfare states had been resilient to serious recalibration, and social policies were even expanding in terms of expenditure in some areas (Pierson & Skocpol 2002). The phenomenon called change without challenge rose from the observation that countries most exposed to economic pressures behind permanent austerity expanded the welfare state (Pierson 1996, 2001a, b). According to Hinrichs (2000), welfare states are like elephants on the move. When they are young, they may stampede ahead, but when mature, they generally move rather slowly. Irrespective of age, turning them around involves much energy and a lot of persuasions (Hinrichs 2000).

Throughout the 2000s, there remained an opposing perspective critically questioning the explanations of the late 1990s characterized by the slogan 'change without challenge' (see Baccaro & Howell 2011). Clayton and Pontusson (1998) made a simple yet important note, highlighting that citizens' needs are essential for social spending levels. Maintaining the same level of social expenditure per citizen in the face of increasing labor market polarization and inequality due to economic globalization 'would have required a big increase in social spending, not simply the same level of social spending' (Clayton & Pontusson 1998, 559). Information about the labor market challenges increasing the citizens' need for social policy, in turn, was reported extensively (Streeck & Thelen 2005; Levy 2010, 561–565). These challenges were often linked to economic globalization (the spread of precarious work, mass unemployment, rising income inequality) and trade unions (rising insider–outsider divide) but are not limited to them (aging and feminization of the labor force) (Häusermann & Palier 2008). Societal risks and awareness of them, therefore, can be seen as a product of society itself. This means taking distance to the more individualistic approaches to the concept of risk, like reflexive modernization approach by Ulrich Beck (1992) that has criticized both empirical and theoretical grounds (Zinn & Taylor-Gooby 2006, 42—43).

Trade unions were important in welfare state expansion after World War II, but the welfare state has also been important for unions (Brandl & Traxler 2005). Among the reasons unions tend to support generous social policies is that social policy decommodifies wage-earners, increasing their bargaining power over employers (Pontusson 2013). The increased bargaining power, in turn, may contribute positively to employee salaries (Pontusson 2013). Furthermore, among others, it is essential for trade unions to support expansive social policy to ensure a substantial proportion of union members can be employees of the welfare state (Streeck & Hassel 2003).

Perhaps the most forceful argument on the relationship between welfare states and trade unions has been made by Walter Korpi (1983, 2002, 2006). His power–resource theory begins with an observation that different social and economic risks (like unemployment, poverty, sickness, disability, and old age) harm or even threaten the working class. The core political interest of the working class is, therefore, to mitigate the negative effects of these risks in their lives. In an environment of sparse economic and political resources, one of the most practical ways to control these risks is to collectivize them. Thus, trade unions' political support for the expansion of social and employment policies is motivated by workers' human needs for security, education, work, health, and well-being (Korpi 2002, 2006).

The decreasing proportion of unionized employees has arguably permanently altered the political economy of the welfare state, constituting one of the most distinguished endogenous forces affecting contemporary social policy (Huber & Stephens 2010, 41; Engler 2020). According to dualization theory, de-unionization has fundamentally recalibrated the political aims of the labor movement (Emmenegger 2009; Davidsson & Emmenegar 2012). The literature on dualization sees trade unions as increasingly pursuing the interest of their core members in permanent jobs, even if this means accepting adverse reforms for more vulnerable groups, such as unemployed individuals and workers in precarious labor market positions (Jensen 2012; Palier & Thelen 2010; Rueda 2005, 2007, 2014; Tepe & Vanhuysse 2013; Iversen & Soskice 2015). Several authors similarly argue that unions fail to adequately represent the interest of the less privileged groups, such as immigrants, low-educated individuals, and young workers in general. According to the argument, trade unions still focus on traditional members, such as elderly men working in export industries (Häusermann 2010). Therefore, the modern trade union movement is not a sword of justice as it was in the 1970s (Ahlquist 2017). Trade unions have been accused of turning their back on people on the periphery of the labor market. For example, by allying themselves with employers on social and economic policy issues (Ebbinghaus 2010; Jensen 2012, 225–226).

Having addressed the main theories and the short historical context of this dissertation, we now enter to the research design portion. The research question underpinning this dissertation is 'What is the role of economic globalization and trade unions in social policy development since the 1980s in the OECD countries?'. For gaining a comprehensive analysis of the development of social policy, I explore the perspectives of central government consumption, social policy spending, employment policy spending, and income disparity. I also analyse the linkages of de-unionization on economic competitiveness since it is often seen crucial for the economic sustainability of the welfare state. The research period of this dissertation starts approximately in the 1980s and ends in 2013.

The dissertation consists of five peer-reviewed articles employing four different methods of data analysis. The first and second articles use original data, while the third, fourth, and fifth analyze findings from the existing literature. On average, the analyses utilize information from 20 OECD countries using a comparative research design.

For the first time, this dissertation brings the linkages of de-unionization and economic globalization to social policy together for comparison and evaluation. For central government consumption and employment policy spending, economic globalization was often linked to downward development, while for social policy spending in general, the results show the opposing effect. The negative overall effect of economic globalization on employment policy spending varies considerably across nations. It significantly concerns Sweden, Denmark, Germany, and the Netherlands, and, for two out of 19 countries—Finland and Austria—the correlation between economic globalization and employment policy spending was positive.

My results indicate that the expansion of social policy spending is associated with union strength, GDP growth, left-leaning government, low level of unemployment, and (relatively) young population. Additionally, income disparity development was affected by factors other than economic globalization, such as social expenditure, levels of taxation and highly educated employees, immigration, affluence of labor movement, and the color of the government. Evidence was particularly strong for the trade unions' shrinking association on different income disparity measures. Compared to the Gini coefficient and poverty threshold, the mitigating effect of unionism on income disparity is clearer in the measures focusing more on high earners, the 1/9 decile ratio, and the top 1% wage-earners' share of total income.

This dissertation does not support the hypothesis that the trade union movement has univocally weakened economic competitiveness since the 1980s across the OECD countries. Instead, the effect of trade unions depends on the institutional setting. For example, in the welfare states with a high degree of de-commodification, trade union activity measured by coordination between labor market institutions increases the relative growth of GDP.

The most important empirical finding of my work establishes that economic globalization does not generate direct race to the bottom tendencies among welfare states, but de-unionization might do so. After over 40 years since the first-panel data analysis (Cameron 1978), the generalized political response to increasing international competition is not to retrench social spending but to increase it. The weakening of labor unions, however, is repeatedly associated with reductions in social and employment policy spending and the widening of income disparities. As the current research fails to distinguish empirically power-resource theory from dualization theory, the discussion on how de-unionization weakens generous welfare states is likely to continue.

The plan of the book (red thread) is as follows. The Chapter 2 discusses the historical recalibrations of social policy until the latest phases, highlighting the role economic globalisation and trade unions. This chapter begins, thus, with the description of the welfare state's origins after the Second World War and continues to the Keynesian era ending as one of the consequences of the 1970s oil crises. Subsequently, I scrutinize the 1980s' gradually increasing neoliberal critique of the welfare state and how it affected the political thinking towards the Third Way after the collapse of Communism in the early 1990s. Linked to the Third Way and its ideas of embracing risk in the globalized economy, I move to the activation turn starting approximately in the middle of the 1990s. Finally, I argue that several aspects of active social policy continue to characterize Western welfare states after the financial crisis of 2008.

Chapter 3 details why and how I link the power of capital to economic globalization and the affluence of labor to trade unions. Here, I also briefly recap the discussion about the methodological aspects that have been done in more detail in the original articles. In Chapter 3, I present the operationalization of social policy and the ways I approach it in each of the five articles.

In Chapter 4, I discuss the research results of the five studies. It begins with the more specific area of employment policy ending with the subject of social policy approached from the perspectives of government spending, economic inequality, social policy spending, and economic competitiveness. In Chapter 5, I conclude my doctoral thesis by reflecting on the results based on the current theoretical knowledge. Here, I answer the question guiding this dissertation, 'What is the role of economic globalization and de-unionization for social policy in post-industrial societies?' I also elaborate on the avenues for future research and political recommendations. Finally, Chapter 6 presents the original articles.

2 The Recalibrations of Social Policy

Since the Second World War, the Western countries committed reconstructing their warfare states into welfare states through the expansion of social policy. This ‘Golden age’ of the welfare states was backed up by the Keynesian economic policy granting a central role for the state in creating the opportunities for work. In the 1970s, unemployment and inflation rose due to the two oil crises, which paved the way for the neoliberal critique against Keynesian politics. As the results, the Keynesian notion that there was “no perceived trade-off between social security and economic growth, between equality and efficiency” (Esping-Andersen 1996, 3) was no longer dominant in the conventional politics in the 1980s. The ongoing activation turn starting in the 1990s. emphasizes individual incentives and motivation for work, and it continues to recalibrate social policy in the OECD countries. (Esping-Andersen, Gallie, Hemerijck, & Myles, 2002) Next, I further discuss the main historical lines of social policy recalibration, referring to these major political adaptations conducted to the social policy after the World War II in the OECD countries.

2.1 The Class Compromise and the Beginning of the Post-War Consensus

Following the Great Depression and World War II, Western Europe recognized the need for a social contract. There was a widespread consensus that social and economic reconstruction was necessary, which led to comprehensive social policy reforms across Western European countries in the 1940s and 1950s. A key element of the post-war settlement was the class compromise, where trade unions agreed to support wage restraint in exchange for full employment and expanded welfare provisions (Crouch 1999). In the 1950s and 1960s, managing wage bargaining took on a new strategic approach to macroeconomic stabilization (Erixon 2000, 2010), and governments across the region supported the active role of unions in determining wages and income policies, often through tri- and bipartite partnership institutions (Milner & Wandensjö 2001). During this construction phase of welfare states, social protection was firmly grounded in the explicit commitment to grant industrial and social rights to workers and citizens, alongside liberal and democratic rights (Marshall 1950).

During the early Cold War, the Post-War Concensus that enabled the expansion of the welfare state was partially grounded on the hope that a social contract between capital and labor would be a rational anti-Communist strategy. The idea was that social policy expansion would be beneficial against the economic and political challenge posed by Communist side of the world (Petersen 2013). While some scholars argue that the expansive development of social policies in the West traces back to colonial times (Obinger & Schmitt 2022), without the confrontation between the Communist and capitalist worlds, it is likely that the decrease of the market dependency of workers (decommodification), may not have flourished in the West as it did after the Second World War (Sant'Anna & Weller 2020). It is also argued that the trade with the Eastern Block led by Soviet Union provided economic stability to some of the Western countries, like Finland, which partially contributed financially to the expansion of social policies in these countries (Koistinen 2014).

Also, the unemployment question motivated the growth of social and employment policy. The term unemployment became a meaningful concept with the rise of manufacturing and industrialization, i.e., during the birth of capitalism in the 19^{th} century. Since then, unemployment has been one of the core problems facing developed countries. (Andersen & Halvorsen 2002.) Theoretically, one of the main lines of thought states that capitalism needs "a reserve army of the unemployed," as put by Karl Marx. Accordingly, the underclass consisting of workers and unemployed individuals is an inherent part of unstable societies, and the conflict between capital and labor ultimately leads to periodic crises characterized by mass unemployment and poverty. To prevent Marx's prophecy from becoming a reality, social insurance systems started to develop in the 19^{th} century across industrial societies (Weishaupt 2011).

2.2 Keynesian Economic Policy, Rehn-Meidner Model, and Full Employment

In his work "The General Theory of Employment, Interest, and Money", John Maynard Keynes (1936) introduced a novel approach to macroeconomic policy analysis. This approach allowed democratic governments to take on the responsibility of achieving full employment and comprehensive social protection without undermining the free-market economy's primacy (Hall 1989). Keynesian economics shifted the focus from micro-level behaviors of individuals and firms to the macro-level behavior of entire economic systems (Keynes 1936). The core concept was that economic activity can be seen as waves of optimism and pessimism in the markets. Capitalist economies, if left unchecked, can experience cycles of booms and busts with severe consequences for output, employment, and investment (De Grauwe 2010). Keynes argued that the break from this cycle of mania and panic required state interventions. Tools such as discretionary monetary and fiscal policies can be used to manage aggregate demand and sustain long-term economic stability, thus enhancing productive capacity. According to Keynes, the modern welfare state has a crucial role to play in managing the business cycle, as comprehensive social policies inherently act counter-cyclically, automatically compensating for declines during recessions and stimulating spending during expansions (De Grauwe 2010).

The expansion of welfare states added to the booming economy brought by reconstruction after World War II, accelerated inflation, and made the shortcomings of Keynesian economic policy increasingly visible (Flora 1986). Swedish labor market economists Gösta Rehn and Rudolph Meidner proposed an alternative approach under which economic stability was consistent with the goal of full employment. The Rehn-Meidner model introduced in 1951 was an ambitious policy project designed to maintain full employment without increasing inflation. Their initiative was a significant departure from the Keynesian approach, the dominant economic ideology during this period. (Erixon 2010.)

In the Rehn-Meidner model, full employment was pursued by combining restrictive economic policy, solidaristic wage policy, and the intentional use of employment policies. Restricting public consumption was a clear departure from Keynesianism, and it was justifiable because of its negative effects on economic bubbles and inflation. In addition, a substantial role was given to trade unions in alleviating the wage pressures of the industrial sector through the coordination of wage negotiations. Solidaristic wage policy was also designed to restrain wage differences, which were considered to harm the predictability of wage policy and negatively affect equity in society.

According to the leading economic experts of the time, such as Michal Kalecki, full employment was an impossible aim for economic policy in the long run. Kalecki (1943) clarified this in the classic article *Political Aspects of Full Employment*, in which he noted that economic stability is not compatible with full employment, since full employment bolsters the power of the trade unions and leads to oversized wage demands and, thereby, inflation. Rational policymakers would therefore avoid the goal of full employment in economic policy. In the discussions of the 1940s, it was common to call for lower standards for full employment compared with heightening unemployment. Similarly, restrictions on trade union movements' collective bargaining and actions were insisted upon (Layard, Nickell, & Jackman 1991).

The second founding father of modern employment policies, Gösta Rehn (1985), argued, the goal of full employment is difficult to achieve by developing unemployment benefits alone. For future generations, this early emphasis on full employment led to a peculiar outcome; the main contribution of employment policy was to tackle imbalances in the labor market.

Employment policies were widely utilized during the 1970s economic crisis in the OECD world. In the initial phase of the 1970s economic crisis, OECD governments believed that the economic downturn was temporary and that their newly introduced employment policies could be effective instruments to cushion the negative effects of unemployment. Accordingly, employment policy was strengthened and often recalibrated so that they mainly operated on the demand side. Thus, the motivation to use employment policy was to address mass unemployment. According to Bonoli (2012, 199), employment policy became an alternative to market employment to provide work for jobless people. In a similar vein, Weishaupt (2011, 118) states, “virtually all of Europe turned to more active labor market policies … to address high levels of allegedly temporary unemployed in the 1970s.

2.3 Stagflation, Neoliberalism, and Varieties of Capitalism

The oil crises in the early and late 1970s introduced the industrial world to vicious problems brought about by mass unemployment. Due to the global market turbulences ignited by rising oil prices, unemployment rose to unprecedented levels across the industrial world (Levy 2010, 559–560). The sluggish recovery from the oil crises was characterized by stagflation, in which relatively high inflation coexists with stagnant economic growth (Offe & Keane 1984). Since unemployment recovered from the crises faster in the United States than in Europe, the Eurosclerosis explanation gained increasing attention (Lindbeck 1988). It suggested that generous welfare states made countries less competitive, which explained the persistence of unemployment in Europe after the crises. Lindbeck and Snower (1989) argued that the main reason behind Eurosclerosis was the labor movement, which brought about labor market rigidity through, for example, raising wages to uncompetitive levels, tight labor market legislation, and generous unemployment benefits. Due to the rising indebtedness among welfare states at the initial phase of the crises, the crises also manifested in fiscal instability (Olson 1982; Shapiro & Kane 1983).

Although the Eurosclerosis explanation was empirically dubious from the perspectives of GDP growth, growth of labor productivity, and purchasing power development (Korpi 1996), it added to the revival of neoliberalism, motivating a much more distrustful view of welfare states’ ability to handle the pressures they were facing (King 1975). Following Friedrich von Hayek’s (1944) and Milton Friedman’s (1968) neoliberal critique of centralized economic planning, the welfare states were increasingly deemed responsible for the recession itself, and their aim to maintain high popular support while generating tax revenues was considered conflicting (Weatherford 1984). Together, these problems added to the notion of a welfare state crisis. The idea was widely shared that the external pressures (like lack of international competitiveness in the global economy) following the economic recessions of the 1970s would set off the structural problems inherent in the Western welfare state. The proposed response pattern often included cuts in social policy spending following the neoliberal thesis (Blanchard & Summers 1986; Jæger & Kvist 2003).

In the early 1970s, the economic paradigm started to shift from Keynesianism toward monetarism. The oil crises that caused the recessions of the 1970s began the European era of stagflation, which refers to a situation in which inflation remains high with unemployment while economic growth is stagnant. Owing to the monetarist influence throughout the 1970s and 1980s, the main objective of economic policy was increasingly price stability rather than maintaining full employment (Bonoli 2012, 198). From the monetarist perspective, measures to increase labor demand, such as employment policy are inefficient, and the effects of employment policy are deemed to only be seen only in the short term. According to Friedman (1968), unemployment can be eliminated through interventionist policy, but this may increase inflation, and the employment effect is not optimal given that the interventions are often costly.

Assar Lindbeck and Dennis Snower (1989) argued that trade unions were the main entity responsible for stagflation. According to them, trade unions increased labor market rigidities that caused both slow growth and inflation through expansive social policy, labor laws, and irresponsible wage policy. To achieve lower unemployment, economic growth, and inflation, they argued, strike rights and collective bargaining should be restricted. Since Lindbeck and Snower's (1989) towering work, the politics of trade unions is frequently associated with harms to the economic competitiveness in internationally open markets (see Asteriou & Monastiriotis 2004; Storm & Naasteoad 2009).

In 1984, Richard Freeman and James Medoff (1984) described the effects of trade unions on firm-level competitiveness. They (ibid.) found that union involvement in firm-level decision-making is associated with increasing rationality of management, employee well-being, and lower costs of agreement. Additionally, trade unions often increase the predictability of the labor market in terms of fewer strikes, which can contribute to a more favorable business environment (Freeman & Medoff 1984; Uusitalo 2005). Freeman and Medoff (1984) also found it possible that trade union involvement could decrease firms' cost-competitiveness if firms are not capable of transferring the increased salary costs to their product prices.

Figure 1 shows that, contrary to the argument by Lindbeck and Snower (1989), the correlation between economic globalization and trade unions in terms of density level appears positive, though weak. The countries with stronger trade unions are the

Nordic countries, Denmark, Sweden, Finland, and Norway. These countries retrieve the score around 90 points in KOF globalisation index. The countries with weaker unions, can have lower or higher rating in KOF globalisation index. Compared to the Nordic countries, countries like Ireland, the Netherlands and the United Kingdom are slightly more exposed to the global economy while they have considerably weaker trade unions. On the other hand, countries like Italy, Spain and Germany are less involved in economic globalisation, but they also have considerably weaker unions.

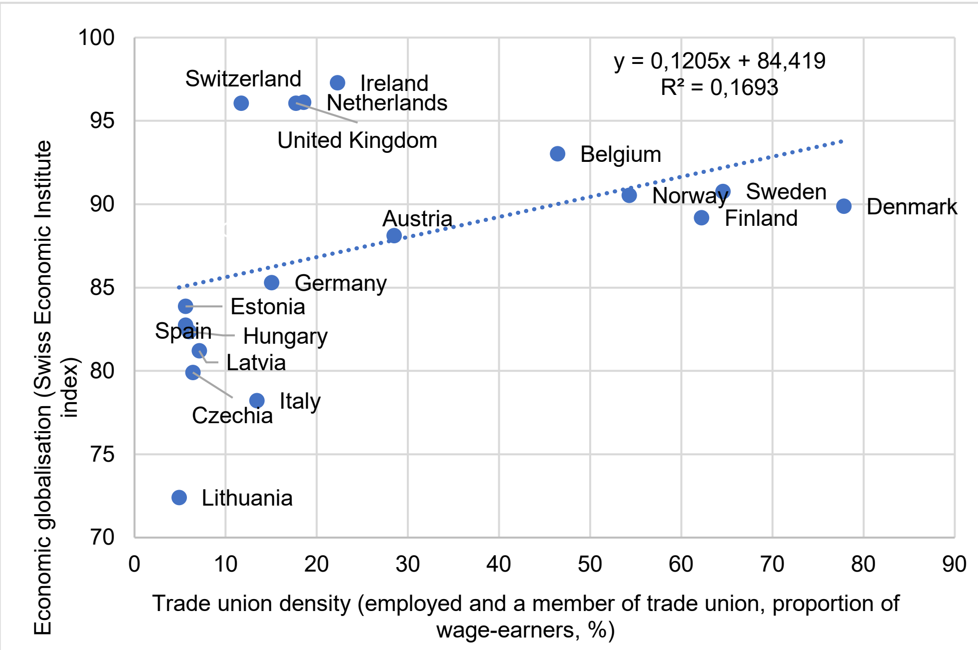

Figure 1. Trade union density and economic globalization in 18 OECD countries (2018). (p < 0,1). *In KOF-index by the Swiss Economic Institute Economic globalization contains international trade (% of GDP), foreign direct investments (% of GDP), portfolio investments (% of GDP), international debt and reserves (% of GDP), and income to foreign nationals (% of GDP). Source: European Social Survey (2020, Round 9); Swiss Economic Institute (2021)

* In Figure 1, union density refers to the share of unionized workers as a percentage of all wage-earners (European Social Survey 2020). Economic globalization is measured by the Swiss Economic Institute index (2021), which consists of five components: foreign investments, investment assets, foreign debt, assets abroad and government labor, and capital tax revenues from employees working abroad. They are weighted equally in the index (20%/component).

Added to the firm-level reasons described by Freeman and Medoff (1984), the Varieties of Capitalism approach by Hall and Soskice (2001) may make the figure

1. more understandable. Hall and Soskice explain the institutional foundations of economic competitiveness in the open markets. In their approach, often referred to as the "Varieties of Capitalism theory", they distinguish between two types of market economy: Liberal Market Economies (LMEs) like the United States and the United Kingdom and Coordinated Market Economies (CMEs) like Germany and Sweden. One of the main aspects dividing these ideal types of market economy concerns industrial relations. In CMEs, workers have more influence over firm-level decision-making as they cooperate with employers and bargain over wages at the industry, sectoral, or national level. Since cooperation increases competitive advantages in the open markets, employers in CMEs tend to support cooperation with trade unions, contributing to higher levels of union density.

Conversely, in LMEs, the competitive advantage is achieved through flexibility, not cooperation. In LMEs, workers and employers are often less organized, wage negotiations take place at the company level, and the relatively easy hiring and firing enable firms to adapt to different phases of the business cycle.

Hall and Gingerich (2009) further argue that the economy grows faster in countries with institutions that match each other in terms of CME or LME type. In this context, matching means that a country has less in-between characteristics of these two ideal types. This may explain why CMEs with strong labor movements like Denmark, Sweden, Finland, Belgium, and Norway come close in terms of integration to the world markets with CMEs like the United Kingdom and Ireland, where unions are weaker in terms of density. Hall and Gingerich (2009; Hall & Thelen 2009) argue that economic competitiveness is weaker in mixed market economy types where the role of the coordination is further from the ideal types between CME and LME. The in-between characteristics of the market economies of Italy and Spain might partially explain their relatively low level of economic globalization occurring with weaker trade unions. Finally, the panel data analysis by Frank Etzerodt (2021) finds that CMEs with higher levels of decommodification and trade union density tend to generate slightly faster GDP growth compared to countries with LME characteristics. (The linkages between trade unions and economic competitiveness are addressed again in Chapters 4 and 5).

During the 1980s, the hysteresis explanation gained significant support as a compelling interpretation of persistent unemployment. In their work, Blanchard and Summers (1986) coined the term hysteresis to describe a situation where the current unemployment rate is influenced by the past unemployment rate. According to their econometric model, incumbent insider workers were believed to hinder the employment of jobless outsiders through irresponsible wage bargaining. Additionally, Blanchard and Summers introduced three complementary explanations for persistent unemployment: erosion of skills leading to long-term unemployment, reliance on welfare benefits, and societal apathy towards re-employment.

European trade unions and center-left parties actively sought alternatives to neoliberal policies and ways to alleviate hysteresis. While they shared the perception that the welfare provisions require recalibration, no consensus was reached about the root causes of unemployment or its most appropriate remedies (Mosimann & Pontusson 2017). Prime Minister Thatcher and President Reagan led the anglophone world towards a liberal welfare state, following a more orthodox approach to monetarism. In contrast, Continental Europe pursued strategies such as reducing labor demand through working hour reductions, early retirement schemes, and public works programs. Training programs which also reduced labor demand, also played a significant role, particularly in Germany. On the other hand, Nordic countries focused on heavy investment in the welfare state, creating new jobs in the service sector. The influence of social democracy, strong labor unions, and the advancement of women's emancipation and associated pressure groups provided the necessary societal support to expand state interventions and consequently increase tax burdens (Bonoli 2012).

During the 1980s, the neoliberal policy proposals offering social policy retrenchment because of the alleged shortcomings of the welfare state grew in terms of international influence (Powell & Hendricks 2012). The Washington Consensus illuminated the ideas shared by the United States, the International Monetary Fund, and the World Bank during this phase of welfare state development (Nullmeier & Kaufman 2010). The Washington Consensus recommended, for example, privatization of state-owned enterprises, deregulation of labor markets, reallocation of public expenditure, tax reform, and trade liberalization (Lopes 2012). At the intellectual level, conservative thinkers like Charles Murray (1985) and Lawrence Mead (1986) argued that a generous welfare system itself induces moral hazards and an intergenerational dependency culture, thus creating rather than reducing social exclusion.

From the perspective of international comparison, however, it seems that the Anglo-Saxon countries were affected the most by the neoliberal policy influence of the 1980s. Esping-Andersen (1996, 16) found that, during the 1980s, the lowest-decile earners regressed, relative to the median, by 11% in the United States, 14% in the United Kingdom, 9% in Canada, and 5% in Australia. Conversely, most European countries exhibit very stable earnings differentials and a very modest rise in poverty during this period. (Herwartz & Theilen 2014).

2.4 The Third Way and the Activation Turn

The collapse of Communism was a geopolitical event that caused economic and societal turbulence, especially in the countries most interlinked with the Soviet Union, which was dismantled in December 1991 (Levy 2010). At the ideological level, these events seemed to confirm views that public interventions led to economic inefficiencies or central economic planning would ultimately fail (Fukuyama 1992).

Following the demise of socialism in Eastern Europe, social democratic parties in Britain, the Netherlands, Germany, and Scandinavia started to reconstruct their welfare politics according to the Third Way approach originating in the United States (King & Ross 2010, 52). The Third Way introduced changes to traditional social democratic thinking concerning social politics, stating that a generous welfare state was no longer economically viable. One of the implications of the Third Way thinking was that social benefits should be conditional upon responsibilities so that citizens cannot simply opt out of employment and be passively supported by the state (Giddens 1994). The state does have an obligation to ensure an adequately skilled and healthy workforce as the foundation for economic competitiveness, and social justice is understood as not equality of result but equality of opportunity (Huber & Stephens 1998).

In employment policy, the Third Way emphasized individuals' obligation to actively seek employment, not the state's responsibility to provide jobs or secure full employment (King 1995). Although the effects of economic globalization on social policy have been debated since the 1970s (see Cameron 1978), the Third Way reasoning policy reforms on the grounds of the predicaments of globalization made economic globalization influential in political and academic circles in the mid-1990s (Cerny & Evans 2000; Evans 2004).

Related to economic globalization, the 2000s also introduced new forms of fiscal limitations for counter-cyclical social policy practices as national sovereignty was increasingly seen as restricted by European monetary integration (Schwartz 2001; Kosonen 2001). The common standards for membership in the European Monetary Union (EMU) were motivated by, for example, the goals of price stability and increasing the international competitiveness of the member states (Levy 2010, 562). The Stability and Growth Pact approved by the European Council (1997) recommended that, for example, government debt should be kept below 60% of GDP, and threshold for government deficit was fixed at 3% of GDP (Tanzi 2004). The Stability and Growth Pact also authorized sanctions against an individual member country if these common criteria were violated.

According to Huber and Stephens (2002, 224), the common standards for membership in the EMU imposed austerity and deflationary policies on all countries and thus exerted pressures for lowering social expenditures. Despite several countries, including Germany and France, deviating from the EMU criteria during the 2008 financial crisis (Hansen 2015), retrenchment and austerity (for example, in Greece) have been justified across Europe as means to advance European monetary integration and protect common currency (Farnsworth & Irwing 2012).

The Third Way idea, where a generous welfare state should be recalibrated towards fostering its competitive advantages in the global markets, were prevalent in the OECD Job Study conducted in 1992–1994 (OECD 1994). The OECD's Job Study acknowledged that social policy could play a role in anticyclical stabilization policy during economic turmoil. In addition, the study paved the way toward the activation paradigm that would dominate the discussion after the mid-and late 1990s. (Goul Andersen & Pedersen 2007).

Since the OECD's Job Study, the multifaceted term 'activation' has generally denoted the increasingly closer binding between employment policy and passive labor market policies (e.g., unemployment benefit) (Dostal 2004). Unemployed individuals have always had an obligation to participate in the labor market to be entitled to full unemployment benefits. As the activation approach gained supporters in Western countries, the binding elements and monitoring for sanctions increased. The OECD's Job Study's (1994) recommendation for public employment offices included individual discussions with unemployed individuals and the duty to apply for jobs to be entitled to benefits.

In terms of the approach to social policy, the OECD's Job Study was seen to be influenced by the anglophone world—namely, the United States, and specifically its so-called work-for-welfare approach or workfare. The politics of workfare emphasize coercive measures toward unemployed individuals and hold that an increase in economic incentives combined with a fear of sanctions will raise the motivation to become re-employed and simultaneously reduce public spending (Finn 2001). In other words, these supply-side arguments aim to combat the dependency culture (Murray 1985) without increasing the involvement of the state in labor market affairs (Eichengreen, Stiefel, & Landesmann 2007; Banting & Myles 2013).

According to some scholars (Kildal 2001; Peck 2001), the concept of employment policy changed from a macroeconomic instrument (Rehn-Meidner model) to a general social policy agenda that combines social and behavioral motivations. Particularly, as the macroeconomic perspective has declined, more social and behavioral explanations have emerged to justify this state-led intervention between capital and labor (Milner & Wandensjö 2001).

The very nature of social policy has changed because of the increasing obligation of unemployed individuals to participate in the labor market. Through reinforced sanctions for non-compliance and reductions in unemployment benefits, activation aimed to create incentives for such participation. Hence, employment policy has become more coercive toward unemployed individuals. According to some commentators, such policies may constitute an offer you can't refuse, as the title of Lødemel and Trickey's (2001) book studying eight European countries from the perspective of the workfare orientation in social policy. Although there is nothing new about unemployed individuals earning their benefit entitlement, the sanctions and monitoring have increased, thus intensifying the element of obligation. Under the workfare approach, unemployed individuals in Europe are entitled to minimum means-tested benefits even if participation in labor market programs is declined (Dingeldey 2007).

European center-left parties and trade unions were forced to seek alternative approaches to the OECD's Job Study, which prioritized a reduction in unemployment through workfare guidelines, justified by referring to the strong labor market performance in the United States. However, moving to a US-style labor market was not an option for most European political actors, especially for the Center-left parties and labor unions close to them (Farnsworth & Irving 2012). In an attempt to establish an alternative to the OECD's Job Study, EU members put forward the European Employment Strategy, which was modelled on the OECD but was more inclusive, deliberative, and ambitious. The message of the European Employment Strategy—in contrast to the OECD Job Study—was focused not on deregulation and (only) reducing unemployment but rather on rebalancing welfare rights and responsibilities by turning overly passive social provisions into active ones (Banting & Myles 2013).

During that time, Denmark emerged as a prominent Nordic model state, while Tony Blair's Third Way philosophy inspired policymakers focused on reform across Europe. In particular, while the United Kingdom and Denmark developed their own distinctive labor market policy regimes, they shared a common emphasis on activation as a key focal point. This approach was positioned between the Anglo-Saxon belief in market mechanisms and self-reliance, and the Nordic emphasis on state interventions and social investments. This revived and rebranded the old Rehn-Meidner ideas associated with the concept of the work line, where unemployment benefits were not seen as an automatic entitlement for citizens. Instead, recipients were obligated to actively seek employment, participate in employment policy measures, and accept suitable job opportunities. If these conditions were met, unemployment benefits would be maintained at a certain level for a limited period of time. When the EU and the OECD adopted the Anglo-Nordic concept of activation, these ideas quickly spread, gained acceptance, and were integrated into policy frameworks across Western Europe (Weishaupt 2011; Lødemel & Moreira 2014).

The activation paradigm challenged the belief in the Continental Europe that unemployment could only be reduced by accepting lower employment levels. Instead, the new approach emphasized that overall employment rates should be increased, which would involve activating not only unemployed individuals who received social benefits, but also other groups considered inactive. This consolidated activation paradigm has resulted in a convergence of ideas, measures, and instruments, but also persistent differences, particularly in terms of positive and negative financial incentives. In other words, EU member states still differ in the generosity of their benefits, but less so in the duration of those benefits, and in how they try to make work financially rewarding. However, there has been convergence in terms of non-financial incentives, with efforts to modernize public employment services through customer orientation and a business-like approach, as well as expanding the state's responsibilities in areas such as preventing long-term unemployment, promoting active aging, lifelong learning, and expanding childcare facilities. Therefore, while there may still be ideological differences among European countries regarding the exact balance and combination of negative and positive incentives, there is a shared understanding of the main challenges facing European welfare states and a common goal of increasing employment across Europe (Banting & Myles 2013; Bonoli 2012).

Over the last 20 years, the activation paradigm itself has changed significantly. Instead of individually tailored and targeted employment policy measures, monitoring, sanctioning, and the fulfilment of the obligations were emphasized in the name of strengthening the remunerative nature of social security (Boockmann & Brändle 2019). This has strongly influenced the role of employment policy among other welfare state functions.

The economic crisis of 2008 did not change the direction of social policy in the West. According to Bengtsson, de la Porte, and Jacobsson (2017), the 2008 economic crisis strengthened the workfare orientation, i.e., binding the benefit entitlement for work through sanctioning in Western countries. According to the study, the crisis was linked to an increase in participation and monitoring of unemployed individuals in all eight EU countries surveyed (Denmark, Sweden, France, Germany, Italy, Spain, Lithuania, and Poland). In contrast, investment in the skills of unemployed individuals through active labor market policies remained at pre-crisis levels, as in France and Germany, or was weakened, as in Denmark and Sweden. According to Bengtsson et al. (2017), the substantive variation of labor policy between the studied countries decreased during the economic crisis, and the orientation of employment policy shifted further towards the activation of unemployed individuals through obligations. Bengtsson et al. (2017) conclude that employment policy after the economic crisis has partly sought to control spending by increasing mass activation of unemployed individuals through sanctions rather than investing in social capital through, for example, education or wage subsidies. Similar results for Denmark were reported by Bredgaard and Madsen (2018), who found that, during the economic crisis, employment policy resources did not meet the increased need and demand in the 2008 economic crisis and subsequent years. In Finland and Sweden, the strengthening of workfare orientation after the financial crisis was reported by Kananen (2012) and Knotz (2016), among others.

Although the activation turn has increased the above-described obligations towards the unemployed, the turn has not been univocal or systematic between or inside Western welfare states. The balance has just moved from the social policy practice that highlights the importance of social citizenship towards the individual or activation (Fransworth & Irwing 2015; Bothfeld & Betzelt 2013). In several countries, including Sweden, Denmark, and Finland, disabled citizens or clientele of social workers are not usually targets of most binding activation measures (Saari & Behm 2017, Van Berkel & Vander Aa 2012). There is evidence of cherry-picking among the street-level bureaucrats who work in the employment of social services. Therefore, the activation measures can pile up to the unemployed with better chances of re-employment. As unemployment offices increasingly follow if the activation measure has resulted in actual employment, those unemployed with better changes can get subjects of activation more often than those in more challenging labor market situations (Tabin & Perriard 2016).

The shift in the activation paradigm towards workfare-oriented mass activation has been criticized as having a low impact on unemployment, especially among young unemployed individuals. For example, the OECD (2013; OECD 2016) has been critical of observed developments and emphasizes the importance of employment policies that consider individual employment needs. The report states that there is no one size fits all for activation (OECD 2013, 7). This means that if the needs of the individual are not considered when designing a service, it can do more harm than good from the perspective of employment.

The report recommends that active labor market policies be targeted most at those who need them (also Rønsen & Skarðhamar 2009; Dengler, Hohmeyer, Moczall, & Wolff 2013). The use of sanctions should be linked to the provision of support services, and their increase should not be motivated by issues irrelevant to employment, such as austerity policies. The report warns of the poverty-increasing effects of sanctions and the weakening of unemployed individuals' sense of self-worth (Rosetti 2019). In some cases, the front-line employment policy of the 2000s has been described as "work of the firefighters" meaning that policy interventions may come only when the situation is most acute (Koistinen 2014).

In summary, the social policy responses to the challenges magnified by economic globalization have often been labeled employment-friendly, meaning the increases in activation, flexicurity, and work-care-related policies (Häusermann & Palier 2008; Hemerijck 2017). Especially in the Scandinavian and Continental countries, social policy reforms have been increasingly justified in terms of productive factor or investment rather than seen as an instrument for smoothening consumption (Iversen & Soskise 2015; Plavgo & Hemerijck 2020). Nolan (2013) maintains that conceptualizing social policy as a productive factor may unintentionally limit social expenditures labeled as compensating or compensatory.

In practice, this conceptualization could increase the risk of cost-cutting for, for instance, unemployment benefits (Nolan 2013). This may damage traditional social policy legitimation based on normative commitments of social justice, fairness, need, equality, and social citizenship (Nolan 2013). Nolan’s (2013) critique is valuable for this dissertation as it shows that seeing social policy as an investment does not, by any means, automatically lead to its expansion or decrease at the general level.

Trade unions have usually been sceptical of activation policies. There are many reasons for this, but the main concern rises from the fact that activation means more “sticks”, not “carrots”, for the unemployed. Trade unions do not usually see the individuals as the main responsible for their labor market status. Instead, they usually explain unemployment in Keynesian fashion emphasizing the societal factors, like economic cycle. (Kildal 2011.) Activation can also lower the bargaining power of workers since activation aims to increase the jobless’ willingness to accept any job available (Schöb 2003). In addition, activation policies do not usually suit the union’s vision good working life. Among unions, it is frequently seen that salary should meet reasonable living expenses, employment contracts should be predictable, and the content of work should be meaningful for the individual (TUC 2012). For these reasons, among others, trade unions have arranged demonstrations against activation policies. For example, the Finnish trade unions demonstrated against Prime minister Sipilä’s activation initiative in 2018 that did increase the obligations of the unemployed in 2019 (YLE 2018). Sipilä’s activation model was revoked in January 2020.

3 Research Design

This dissertation provides insights into the main research question, ‘What is the role of economic globalization and trade unions in social policy development since the 1980s in the OECD countries?’ The research motivation stems from the contradiction between capital and labor in how it still may explain the development of social policy in OECD countries (see Chapters 1 and 2). In an international comparative research design, the extent of economic globalization can be understood as one way to conceptualize the power capital (Durand 2017; Lapavitsas 2014). In this study, economic globalization involves for example flow of capital and national exposure to the global markets for example in terms of international trade. In theory, both can contribute for increasing the societal power of firms over state and workers by contributing to the political climate in which nations calculate on societal responsibilities (like taxes) they levy on firms and their owners (Dreher 2006). The alternative measures of economic globalisation like trade regulations, trade taxes, trade agreements and tariffs are non-existing in contemporary literature of social policy. The reason for this might involve, for example, that the actual flows of trade and capital measures the implications of economic globalization more concretely compared to trade policies (tariffs, agreements) that enable or harm the capital and trade flows between countries. The power of labor, on the other hand, is conventionally conceptualised in trade unions (Korpi 2002; ITCTWSS 2016). Trade unions gather the political force of the working class, and the theoretical literature mainly suggests that higher the share of unionized labor, the stronger are the unions in their societal influence (Streeck & Hassel 2003; OECD 2018; Dale-Olsen 2021).

3.1 Data

On average, the analyzed data covers 20 OECD countries. Social policy, contrarily, is captured by five indicators: central government consumption, social policy spending, employment policy spending, income disparity, and economic competitiveness. The main measure for central government spending is obtained from the OECD’s Classification of the Functions of Government database. This measure includes the ten government functions ranging from general public defences to public services. The analysis also uses social spending (on average, 36% of central government spending in OECD countries). It covers both tax and insurance-funded net-consumption of social and health care services and income transfers, as measured in the OECD database (SOCX).

In this study, income disparity was measured using the Gini index (from market income after taxes and social transfers) with the LIS and SWIID databases. For taking complementary perspectives for income disparities, this study also incorporates decile ratios and the share of high incomes to the measures of inequality. The study estimates both employment policy as a percent of GDP and employment policy as a percent of GDP per 1% of the unemployment rate. It makes sense to analyze employment policy expenditure per 1% of the unemployment rate separately because, in several countries, employment policy spending follows the development of unemployment at least to some extent. In this dissertation, economic competitiveness was measured by firm-level investment rate, take-up rate of new business, outward direct investments, and GDP growth.

Economic globalization was measured as exports and imports as a share of GDP, foreign direct investments as a share of GDP, and the index of economic globalization provided by the Swiss Economic Institute, KOF (2015). The affluence of trade unions was approached from the perspectives of trade union density and collective bargaining coverage. The data of trade unions is mainly obtained by Visser's ITCTWSS (2016) database. Articles I and II use original data while the Articles III, IV and V collect the data from the existing literature.

While the data from the OECD is widely used and it has a reliable reputation among scholars and policy makers, it also has weaknesses that are relevant for this thesis. Of the vast critique regarding transparency of the financial data, lack of global information and about the pro-market ideology shaping OECD's statistical interests, the question about the quality of the OECD's data on Gross Domestic Product (GDP) is relevant for this thesis. The reason for this is that several social indicators used in this study including spending on public policy, expenditure on social policy and spending on employment policy, are collected with respect to the GDP. GDP, in turn, is measured in markets prices that include for example the profits of the finance sector and banking institutions. Depending on the economic cycle, this can give a higher or a lower value of GDP to countries most integrated to the global financial economy, like the US as the Wall Street is central marketplace for world's financial instruments and products. (Coicaud & Zhang 2011.) Because of the uncertainty generated by the content of national GDP, this analysis incorporates alternative measures such as the benefit coverage rate and the different measures of income disparity to the analysis of social policy development. The more details about the data-collecting methodology are provided in the next section, as well as in the original articles.

3.2 Methodology

Four different methods were employed in the five peer-reviewed articles. Article I departs from the regulation theory tradition (Jessop 1993, 2002; Torfing 1999a,b; Peck 2001), in which economic globalization is seen as one of the main driving force of employment policies. According to regulation theory, the heightened international competition on foreign capital switches policymakers' attention to the supply and demand of the labor force and, in particular, the national policies affecting the availability of able-bodied and-minded workers. For social policies in general, but specifically for employment policies, this would imply a workfare policy approach.

This study examines the effects of economic globalization on employment policies in 19 individual countries between 1985 and 2010, as the theory predicts different outcomes depending on the institutional setting. Therefore, the VARMAX procedure is utilized to perform diagnostic checks and run estimation results of the time-series analysis. The VARMAX procedure incorporates the lagged dependent variable and enables the estimation of turning points in the relationship between dependent and independent variables. In this study, the dependent variables are the unemployment benefit expenditure and active labor market policy spending, both per 1% of unemployed individuals.

Article II focuses on the association of different welfare state pressures on employment policy at the level of OECD countries. To incorporate the relevant independent variables into the model, the panel data method was used to extract the result estimates. Compared to Article I, Article II takes a more open stance on theoretical literature. It first identifies the 14 most utilized independent variables in the literature and then it employs them in the large-N study of 20 OECD countries between 1985 and 2013. From the most common estimation techniques, both fixed and random effect models are incorporated. The fixed-effects model analyses primarily intra-country (temporal) change, merely acknowledging that differences between countries exist. The random-effects model separately considers the temporal change and differences between countries. Of the two models, the fixed-effect estimator is more common due to its robustness. However, the random effects estimator is more efficient due to the abovementioned flexibility of the hypothesis set. The diagnostic checks (i.e., the Hausman test) indicate that the statistical model corresponds to the data, thus allowing the inclusion of the random-effects model.

Conflicting findings swamp the field where the linkages between welfare state pressures and social policy are evaluated. The main reason that Articles III and IV are meta-analyses and Article V is a systematic literature review is that these methods were invented to make sense of a widely empirically studied field Glass (1976, 3). Both methods summarise the results obtained from literature search systematic to the degree that the studies are replicable by other scholars. The method of summary, however, fundamentally differs from a meta-analysis compared to a literature review. While a literature review forms a synthesis of the literature through critical comparison, a meta-analysis uses statistical analysis in which the data are collected from the empirical papers that meet the systematic search criteria (Jesson, Matheson, & Lacey 2011).

As an instrument for the results summary of the meta-analysis, Articles III and IV utilize the vote-counting method instead of meta-regression analysis. Although meta-regression analysis has several advantages over simple vote-counting, meta-regression analysis is not suited to the research design of these papers for several reasons (Petticrew & Roberts 2011). A meta-regression analysis relies on the assumption that individual studies analyze independent samples. This assumption allows the researcher to conduct generalizable hypothesis tests on the impact of independent variables that produce estimation results (Littell, Corcoran, & Pillai 2008, 95–100). In the case of welfare state pressures (like economic globalization and de-unionization), it is dubious whether this crucial assumption of independent samples is met. The reason is that studies on welfare state pressures mostly analyze the same sample collected from largely analogous welfare states with similar research periods. Meta-regression analysis run from similar data might suffer from strong serial correlation, thus invalidating the hypothesis testing in a conventional meta-regression framework.

Additionally, because of how welfare states are measured and the variation in statistical tests between the studies used in the empirical papers, it is not appropriate to conduct a meta-regression analysis. Meta-regression analysis is the most rigorous but also most restrictive method in terms of the kind of data it requires since the measurement of variables and the statistical approach need to be similar but not serial correlated across different studies (Stanley & Doucouliagos 2012).

Due to the problems of a meta-regression analysis in this research design, Articles III and IV present a simplified meta-analysis known as the vote-counting method. This is an alternative way to illustrate the distribution of the meta-analysis data. Vote counts present a summary of the distribution of findings and the extent of apparent disagreement within a field (Stanley & Doucouliagos 2012). In the vote-counting method, dependent variable is a dummy variable that indicates whether a study reports a significant effect of welfare state pressure. This allows researchers to derive concise and readily comprehensible statements about the analyzed studies.

The unit of analysis is a statistical test with each study representing at least one test—i.e., a study's main finding on the significance or non-significance of welfare state pressure. The results from selected papers are transferred into votes in a theoretically meaningful manner. The counting of these votes makes the data quantitative, thus fulfilling the requirements of quantitative meta-analysis (Jesson et al. 2011).

Article V, conversely, is a systematic review. While lacking the brevity of a meta-analysis, the systematic review does not suffer from loss of information, which is the main weakness of the vote-counting method (Stanley & Doucouliagos 2012). Article V follows the Preferred Reporting Items for Systematic Review and Meta-analysis (PRISMA) protocol. The PRISMA protocol provides a 17-item checklist of recommendations for a researcher conducting a systematic review or meta-analysis. For example, a description of data synthesis, study bias, and data-collection process are advised to be considered according to the PRISMA protocol. The PRISMA protocol offers a common methodological foundation in the field of systematic reviews and meta-analysis, which is growing rapidly in social sciences (Moher, Shamseer, Clarke, Ghersi, Liberati, Petticrew, Shekelle, Steward, & PRISMA-P Group 2015).

4 Results

The main research question of this dissertation is:

- What is the role of economic globalization and trade unions in social policy development since the 1980s in the OECD countries?'

This main research question was divided in five sub-questions. The sub-questions are:

- How does the linkages of economic globalisation to employment policy and unemployment benefit spending differ between Western countries since mid-1980s?
- What are the effects of the identified determinants of the welfare state to employment policy expenditures between 1985 and 2013 at the level of OECD-countries?
- What is the role of the welfare state pressures on employment policy spending according to the existing empirical research?
- What is the role of economic globalisation in central government spending, social policy expenditure and income disparity in the OECD-countries?
- What is the role of trade unions in social policy spending, income disparity and economic competitiveness in the OECD-countries?

Table 1 summarises the results concerning these sub-questions. The first column of the Table 1 includes the sub-question analysed in the original articles, author(s), and the year of publication. The second column describes the data and methods. The third column summarises the main research findings of each article from the perspective of the objective of this dissertation. More information is available in the original articles. Further details about the data and methods are provided in the previous chapter.

Table 1. The main results of the articles in this dissertation.

The article and its main research question	Data and methods	The main results of the article
Article I (Näätänen 2015) - How does the linkages of economic globalisation to employment policy and unemployment benefit spending differ between Western countries since mid-1980s?	- 19 countries - Employment policy and unemployment policy spending per 1 % of the unemployment rate (OECD). - Flow of Capital (KOF). - Time-series analysis with turning points and lagged dependent variable(s) (VARMAX procedure)	- Economic globalization may have reinforced the cost-cutting tendencies among countries that have traditionally committed to active labor market and unemployment benefit spending (e.g., Sweden and Denmark). - For two countries out of 19, Finland and Austria, the correlation between economic globalization and employment policy spending was positive. - The tendency towards economic globalisation linked cost-cutting started in forerunner countries (e.g., Sweden and Denmark) in the late 1990s.
Article II (Näätänen 2017) - What are the effects of the identified determinants of the welfare state to employment policy expenditures between 1985 and 2013 at the level of OECD-countries?	- 20 countries - Employment policy spending as percent of GDP and employment policy spending per 1 % percent of unemployment rate. - 14 most often used dependent variables from various data bases. - Panel data analysis with fixed-effects and random-effects estimates	- The fixed-effects models show a clear negative effect of economic globalization when 13 other variables are taken into account. - Trade unionism is positively associated to the development of employment policy spending in all the estimated models. - Employment policy spending is negatively affected by the budget deficit and population ageing while GDP growth fuels the expansion of this policy type.
Article III (Näätänen 2018) - What is the role of the welfare state pressures on employment policy spending according to the existing empirical research?	- A meta-analysis (vote-counting method) of 14 recently published panel data studies. - On average, the reanalysed studies cover 20 OECD-countries.	- For economic globalization, the results were mixed; the majority of studies did not find an empirical connection between employment policies and the most-used economic globalization indicators (foreign trade and foreign direct investment). - Seven studies out of six found trade unionism positively correlated with employment policy spending. - Employment policy spending likely expands in an economic boom and decreases during economic downturns.
Article IV (Näätänen 2020) - What is the role of economic globalization in central government spending, social policy expenditure and income disparity in the OECD-countries?	- A meta-analysis (vote-counting method) of 14 recently published panel data studies. - The reanalysed studies covered from 18 to 20 OECD-countries.	- For central government consumption, the results showed a negative effect of economic globalization on the spending levels. - For social policy expenditures, economic globalization was linked to the augmenting effects in several studies. -For income disparity, the majority of studies found economic globalization to be disconnected from development.

The article and its main research question	Data and methods	The main results of the article
Article V (Näätänen & Anttila 2022) -What is the role of trade unions in social policy spending, income disparity and economic competitiveness in the OECD-countries?	- A literature review (PRISMA protocol) of 17 recently published panel data studies. - The analysed studies cover at average 20 OECD-countries.	- For social policy consumption, the results showed a positive linkage of trade unions on the spending levels. -Income disparities are lower if unions are strong in terms of density and collective bargaining coverage. -For economic competitiveness, the majority of the studies found the effect of unions are positive to the national competitiveness, especially among the Nordic countries.

The Article I (Näätänen 2015) addresses the research question: ‘How does the linkages of economic globalisation to employment policy and unemployment benefit spending differ between Western countries since mid-1980s?’ The results indicate that the negative effect of economic globalization on employment policy spending was significant in Germany, the Netherlands, Denmark, and the United Kingdom. In Sweden, France, Ireland, and the United States, the effect was negative at an almost significant level. In the United States, France, the Netherlands, Denmark, and Sweden, the turning point towards a decrease in employment policy spending from the perspective of economic globalization occurred in the late 1990s. Path dependency played a significant role in these countries, particularly Ireland and France, during the research period (Lagged dependent variable is highly significant). From a theoretical perspective, economic globalization may have reinforced the cost-cutting workfare strategy among countries that have traditionally committed to relatively high employment policy spending (e.g., Sweden and Denmark). For two countries out of 19, Finland and Austria, the correlation between economic globalization and employment policy spending was positive.

Article II (Näätänen 2017) is interested in the overall effects of economic globalization on employment policy spending at the level of OECD countries. More precisely, it asks What are the effects of the identified determinants of the welfare state to employment policy expenditures between 1985 and 2013 at the level of OECD-countries? By considering several other independent factors, the employment policy at the level of OECD countries appears to be a fair-weather policy that expands in an economically favourable environment.

The term fair-weather policy is grounded on the main observations that budget deficit was negatively associated with employment policy spending, while GDP growth was strongly associated with the expansion of employment policy. Unemployment, deindustrialization, and political parties were repeatedly found to be disconnected from employment policy spending development. In addition, trade union density was strongly linked to the expansion of employment policies.

When considering the importance of activation in contemporary social policy, one might be surprised by my findings on employment policy. The analysis shows the 'fair-weather' nature of this policy type; the observations that employment policy expands in economically favorable times and that it is often negatively associated with the increase of economic globalization sets it apart from social policy development in general. Particularly, financial maneuvring room obtained from the international markets is channeled not to employment policies but other forms of social policy (like cash transfers, social and health benefits in kind) instead. The weakening of trade unions retrenches social expenditure and does the same in its sub-category of employment policy.

Article III (Näätänen 2018) is a meta-analysis of 14 recent studies. Specifically, it asks What is the role of the welfare state pressures on employment policy spending according to the existing empirical research? Here, the vote-counting method showed that endogenous factors that originate within state produced results that were less often contradictory between studies. In particular, the finding of Article II that trade union density increases employment policies while budget deficit decreases employment spending was confirmed by several studies. In addition, the majority of studies concluded that economic growth and the political left increased expenditure.

In these 14 studies, 17 empirical tests incorporated unemployment into the analysis, ten found it non-significant for employment policy spending development. As for economic globalization, the results were mixed; the majority of studies did not find an empirical connection between employment policies and the most-used economic globalization indicators (foreign trade and foreign direct investment).

A comparison of the results between Articles II and III suggests that employment policies may increase in times of economic expansion and when debt is increased to ease the budget situation. Adding that the government deficit and aging are repeatedly found to decrease spending on employment policy, these policies can be seen as fair-weather (Martin 2015), implying that they increase in an economically favorable environment. Added to the political parties, unemployment had no clear effect on employment policy spending development. It is apparent that mature welfare states have not responded to the changing social risks and rising uncertainties in the labor market by increasing their financial commitment to employment policies, the policies designed to mitigate the negative effects of unemployment for individuals, such as the erosion of skills, know-how, and employability.

Articles IV (Näätänen 2020) and V (Näätänen & Anttila 2022) widen the scope from the specific issue of employment policy to the other indicators relevant for social policy development. Article IV, titled "The linkages of economic globalization with government consumption, social policy spending, and income disparity", offers the first meta-analysis that contrasts the effects of economic globalization on central government spending, social policy expenditure, and income disparity. In this article, the research question is: What is the role of economic globalization in central government spending, social policy expenditure and income disparity in the OECD-countries?

For central government consumption (including all tax-funded consumption from military expenses to social policy), the results showed a negative effect of economic globalization on the spending levels in OECD countries. For social policy expenditures, economic globalization was linked to the augmenting effects in several studies. For social policy spending, leftist governments, the closeness of elections, population aging, and the higher GDP level in a country were associated with expansion. For income disparity, several studies found economic globalization to be disconnected from development. Instead, a strong labor movement (in terms of trade union density and coverage of collective agreements), high progressive taxation, and low levels of unemployment were connected to lower levels of income disparity at the level of OECD countries.

Article V, titled "The effects of trade unionism on social expenditure, income disparity, and economic competitiveness: A systematic review," examines 17 empirical peer-reviewed papers with the aim of evaluating the impact of trade unionism on social spending, income inequality, and economic competitiveness in OECD countries. The objective is to contribute new insights to the ongoing debate on whether trade union policies are a threat or an advantage to advanced welfare states.

The analysis takes a novel approach by simultaneously scrutinizing three perspectives: social expenditure, income disparity, and economic competitiveness, which have not been thoroughly examined in a systematic review before. The findings of the analysis do not support theories that suggest trade unionism increases income inequality or weakens the economic competitiveness of the welfare state. In fact, most studies reviewed indicate that trade unions are associated with narrowing income disparities. For instance, Herzer (2016, 337) identifies robust evidence that de-unionization is both a cause and a consequence of increased economic inequality as measured by the Gini coefficient. The correlation between trade unionism and social spending was found to be positive at the GDP level, but this link was not confirmed when considering replacement rates.

The study does not support the hypothesis that the trade union movement weakens competitiveness. For example, the national GDP has developed faster in countries where the level is high for both decommodification and the cooperation of labor market institutions.

Several gaps in the literature remain that seem appropriate for future research. Empirically, the analysis of the effects of economic globalization and de-unionization should be allocated towards country groups or even individual countries (see Farber, Herbst, Kuziemko, & Naidu 2021 about the effects of de-unionization on income disperity development in the US). Additionally, the time-period analysis that separates the 2000s from previous eras is quite thin at present, and, given the availability of data up to 2016–2017, one could expect this gap to be bridged soon.

5 Conclusion

This dissertation analyses the effects of economic globalization and trade unions from the perspective of different indicators central to social policy development. These indicators are central government consumption, social policy spending, employment policy spending, income disparity, and economic competitiveness. The scope of this dissertation covers the period from the 1980s until 2013. On average, the analyzed data cover 20 OECD countries. The dissertation aims to provide insights into the question, 'What is the role of economic globalization and trade unions in social policy development since the 1980s in the OECD countries?' Economic globalization was measured as exports and imports as a share of GDP, foreign direct investments as a share of GDP, and the index of economic globalization provided by the Swiss Economic Institute (2015). The affluence of trade unions was approached from the perspectives of trade union density and collective bargaining coverage.

In theory, the implications of the economic globalization and the trade unions for contemporary welfare states requires consideration of changes in international chains of production and occupational structure. International product chains refer to, for example, decentralized production across national borders bringing changes to the occupational structure in the welfare states. These changes include an increase in highly paid specialists, and an expansion of low-paid and even precarious service workers. By changing the occupational structure, the increase in economic openness has also made trade union operation increasingly challenging since 1980s. For example, the threat of outsourcing enabled by increased economic openness reduces unions' bargaining power in exporting industries. As a result of the changes in occupational structure, the proportion of workers in service-related professions has grown, while their unionization rates have remained low. Thus, economic globalization is one of the main factors weakening trade union density among the working-age population.

To recap the main theories, the politics of trade unions is often linked to increases in social policies. Power-resource theory argues that unions seek to protect wage-earners against different human risks of the (post-)industrial labor market, such as illness, unemployment, and work incapacity. According to this train of thought, trade unions gather the political force of the working class, seeking to collectivize labor market risks, and the weakening of this collective voice in society can lead to social policy retrenchment. The share of unionized members among employees and the coverage of collective bargaining, however, has been decreasing in most OECD countries for at least three decades. According to dualization theory, the decline of trade unions (de-unionization) has fundamentally changed the political aims of trade unions. This theory assumes that modern trade unions focus on advancing the interests of their existing members at the expense of employees in a more vulnerable labor market position. For welfare states, this change in the social politics of trade unions would denote, for example, declining social and employment policy expenditure and growing income disparities.

Theoretically, the development of welfare states has also been linked to the acceleration of economic globalization. Some scholars argue that economic globalization is forcing welfare states to compete against each other through taxation in the open world economy. For welfare states, the internationally increasing competition over jobs and investments was seen to entail lower tax income, which can endanger publicly funded social services and transfers. However, this race to the bottom theory is empirically dubious. For example, small and open economies, such as the Nordic countries, had and still have tax-funded and comprehensive social policy systems. According to the compensation theory, economic globalization does exacerbate the predicaments that citizens face in the labor markets, for example, by increasing the demand for atypical work and labor market polarization. This creates demand among workers for social policies that aim to mitigate these increased uncertainties of human life.

My results regarding the role of economic globalization in the development of modern social policy mainly support the compensation theory. Specifically, economic globalization may increase citizens' demands for social policies that directly alleviate the consequences of risks like unemployment, illness, and work disability. This can happen because economic globalization shrinks the national government expenditure in general, while social policy expenditure tends to increase with economic globalization. Following the compensation theory, I wish to conclude that decreasing the race to the bottom trajectory for social spending would be rather unexpected since economic globalization is strongly linked to several labor market challenges (e.g., labor market polarization and digitalization) increasing citizens' need for state interventions through social policies.

The mechanism described in compensation theory may not be sufficient to understand the role of economic globalization in social policy development. In addition, theoretically, one cannot rule out the possibility that, rather than a burden, social policy interventions can support the generation of competitive advantage in an open economy. The results support the notion that investments in social policy benefit the well-being and education level of the workforce, which, in turn, may contribute to firm-level productivity, explaining the results added to the compensation theory. Additionally, it is possible that levelling off social inequalities through social policy benefits competitiveness by decreasing transaction costs brought about by inequality, as shown in the OECD's report (Cingano 2014).

Mature welfare states have not responded to the changing social risks and rising uncertainties linked to economic globalization by increasing their financial commitment to employment policies, the social policy type designed to mitigate the negative effects of unemployment for individuals, such as the erosion of skills, know-how, and employability. In only two OECD countries (Finland and Austria) out of 19, economic globalization correlated positively with employment policy spending between 1985 and 2013. Since a decreasing effect of employment policy spending mainly concerns Sweden, the Netherlands, Denmark, and Germany, the results of negative correlation at the level of OECD countries may involve the forerunners of employment policy, denoting the countries that allocated significantly more resources to employment policy in the 1980s and 1990s.

One possibility is that citizens' demand for compensation for the consequences of economic globalization is not allocated toward employment policies used in practice to execute the workfare employment policy agenda. In other words, when internationalization increased, the workfare policy designed to tackle its consequences (see p. 24–26) followed, leading to fewer, not more, resources for employment services at the level of OECD countries.

I also wish to highlight that the paradigm shift toward the workfare employment policy has co-occurred with the rise of economic globalization and the decline of unions in post-industrial societies. Although the technical analysis conducted in the panel analysis confirms the linkages, the possibility that the paradigm shift towards activation itself explains the downward trend is also definitely viable.

Economic globalization has not induced a race to the bottom tendency for income disparities. As illustrated in the analysis, economic globalization seems to be disconnected from income disparity development, at least when the Gini coefficient is used as a measure of income disparity. The technical analysis, however, may mix the negative (through social spending) and positive effects (through labor market polarization), whereby the net effect of economic globalization on income disperity is zero. Due to the complexity of the theoretical linkages between the welfare state and economic globalization, it is possible that results supporting the view of constant steady state economic inequality in the environment of growing exogenous welfare state pressures hide a more dynamic development than the technical analysis can capture.

A few viewpoints regarding the development of income disparities should be taken into consideration. In the literature, income disparities are often explained by the development of occupational structure, taxation, and social benefits and services. Economic globalization is one of the main factors explaining the changes in occupational structure where middle-income work is substituted by highly paid specialists and low-paid service workers through the expansion of international value-chains. Then, economic globalization's main link to income disparity through occupational change should widen the gaps in income disparity. Trade unions, on the other hand, are most often associated with adaptation to the occupational change, not directly affecting to it. Despite its efforts sometimes seen at the local level, the options for trade unions to resist occupational change brought about by economic globalisation are very limited.

Regarding tax revenues and the social policies they finance, trade unions may have a larger role depending on the country. Often trade unions support progressive tax-policies, not only because union members are most likely low- and middle-income workers. Unions also aim to finance de-commodifying social policies and to support the work in highly unionized public sector. When excluding corporate taxation, the era of economic globalization has not introduced dramatic race-to-the-bottom for tax revenues in the OECD countries. On contrary, tax revenues for example in the Euro area rose from 17 percent of GDP to 19 percent of GDP during the 1990s, and during 2000s tax revenues in the Euro area has remained stagnant, on average about 19 percent of GDP. It seems that excluding corporate taxation, the economic globalization has only limited consequences for over-all tax-revenues.

This research shows that the weakening of trade unions in terms of membership base and institutional status (like bargaining coverage) is associated with increasing income disparity and reductions in social and employment policy spending. This finding can be explained by two fundamentally different theories. Following the power-resource theory, it is possible that de-unionization has narrowed employees' influence over the policy-making process. During the last four decades, the call for income redistribution and demand for social and employment policies aimed to collectivize life-course risks (e.g., unemployment, sickness, disability, old age) may have weakened because the collective voice, and institutional power-resources of trade unions may have weakened due to de-unionization.

The competing interpretation applies dualism theory. According to this theory, these findings would mean that the social politics of labor unions, in general, have changed due to de-unionization. Instead of pursuing de-commodifying politics for all workers regardless of their labor market status, the labor movement may have started emphasizing the interest of the labor market insiders to secure the continuity of its own organization. For unionized members with safe and stable jobs, the preferred policy emphasis may differ from non-unionized workers in a precarious labor market position, and this could be increasingly reflected in the redistributive politics of trade unions. Separating the effects described in power-resource theory from the effects clarified in dualism theory is a crucial task for future research (also Bledow 2021, 32–33).

In addition, future research could also benefit from an examination of the development of the 2000s separately. In theory, it is possible that both economic globalization and trade unionism were different in the 1980s and 1990s compared to the 2000s. For instance, the growth of economic globalization has slowed in the West since the turn of the 21st century, which may affect the analysis starting in the 1980s. In addition, the period from 2000–2017 could be collected from data sources, providing a sufficient number of observations for panel analysis.

Further, very few studies show how the effects of economic globalization and trade unionism are dependent on the institutional environment at the country level. In the future, we will likely see multilevel analysis of singular countries, as Farber et al. (2021) did in their study of the role of trade unions in the decline of economic inequality in the United States. This would enable a more detailed analysis of social policy development.

Although economic globalization may appear beneficial for social policy spending without an apparent negative impact on income disparities, it increases the pace of de-unionization directly and indirectly through, for example, contributing to the occupational change, de-industrialization and immigration (Lee 2005). In theory, these indirect linkages could put downward pressure on social and employment policy spending and drive the rise of income disparities. Therefore, the conclusion that economic globalization is secondary compared to de-unionization for the analysis of welfare states is likely to be premature. The possibility of this indirect retrenching effect of economic globalization through de-unionization should be considered in future research efforts.

My results show that economic globalization is linked the expansion of social policy spending, as measured most often in OECD's SOCX-data. In this data net social policy spending includes pensions, unemployment benefits, health care- and services, and other branches of social policy, like employment policy. One important question in the future is, what is the role of economic globalization for the different types of social policy. Are, for example, pensions more likely to expand compared to social services or unemployment benefits when a country becomes more open to the international markets? Further results about the allocation of resources obtained from the international markets withing social policy expenditures would improve significantly the current knowledge about the subject.

The study focused on income disparity, and spending on public policy, social policy, and employment policy. It did not include the national commitment on education spending as a dependent variable, although education plays an essential role in addressing many social issues such as transgenerational exclusion. In three separate analyses examining income disparities, however, education spending was utilized as a control variable. These results showed a neutral association between the education expenditures and income disparity. Although education policy has not been considered as part of the upskilling social policies, such as ALMPs (Bonoli 2012, 184), it could be an interesting subject of a study from the perspective of economic globalization and trade union development. At the moment, the empirical results about the effects of economic globalization and trade unions to the education policy are mixed, and future literature could benefit from a systematic review about the subject.

While the decline of unions may increase the commodification of workers via rising income disparities and erosion of social security systems, employers competing internationally may also suffer from de-unionization. The welfare states in Continental and Northern Europe, where employees and employers coordinate in, for example, salary and social policy reforms, are associated with more rapid GDP growth and a higher probability of firms moving back to their country of origin. As the weakening of trade unions erodes the political foundations of this type of capitalism, the future of welfare states that aim to reconcile economic competitiveness with income equality is characterized as uncertain. In this respect, my conclusion concurs with OECD's (2018) analysis: trade union policies including comprehensive collective bargaining can increase the quantity of jobs with high quality and productivity.

Trade unions may contribute to the creative destruction in an economy, where the firms with higher productivity prosper while firms with weaker profitability can have more difficulties (Dale-Olsen 2021). De-unionization, thus, can have a pivotal role in national competitiveness as it erodes both employers' incentives for collective bargaining and employees' ability to pursue it. Slower growth also means less tax income for the welfare states, which can explain the abovementioned findings concerning the consequences of de-unionization for social and employment policy expenditure.

Ultimately, a de-commodifying welfare state in an open economy can gain ground when the trade union movement is able and willing to pursue the redistributive social policy. If de-unionization continues unchanged in its effects on state welfare, the future of de-commodifying welfare states, despite their openness in the international economy, is increasingly uncertain. Added to the activation reforms, this uncertainty might also show in increasing income disparities and shrinking resources allocated for the uses of social and employment policy.

Based on this work, I have two recommendations for relevant decision-makers. First, attempts to dampen the movement of mobile capital through the re-regulation of international trade are likely to introduce lower national expenditure for social policies. This can happen for at least two reasons. Less international trade means lower taxable income for a welfare state and reducing exposure to international markets also entails slower polarization in the market change, resulting in decreasing demand for compensation among workers.

In addition, politicians should be more aware of de-unionization since it constitutes one of the most prominent endogenous forces affecting contemporary social policy. For example, initiatives promoting union membership in the service industries with lower levels of unionization should be brought into the discussion more often. A higher degree of membership among the workers in a more vulnerable labor market position would mean that their stance on social and economic issues reaches public discussions more effectively through trade unions that represent them. This would also mitigate any tendencies toward dualization inside trade union organizations since trade union leaders are chosen for reasons, one of which is the organizational strength of their promoters.

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