

UNIVERSITY OF MIAMI

LABOR RELATIONS REFORM IN 21ST CENTURY LATIN AMERICA

By

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A DISSERTATION

Submitted to the Faculty
of the University of Miami
in partial fulfillment of the requirements for
the degree of Doctor of Philosophy

Coral Gables, Florida

May 2017

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LABOR RELATIONS REFORM IN 21ST CENTURY LATIN AMERICA

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Labor Relations Reform in 21st Century Latin America:

(May 2017)

Abstract of a dissertation at the University of Miami.

Dissertation supervised by Professor William C. Smith.

No. of pages in text. (177)

This dissertation examines the political and institutional context in Latin American countries between 2000 and 2012 to explain the decline in labor relations reform after 1999. First, I synthesize the empirical literature on Latin American labor relations reform and present the governing debates in the literature. Second, I argue that a comprehensive understanding of labor relations reform requires a focus on de jure and de facto labor institutions. Third, I conduct a comparative analysis of labor relations reform in Latin America between 2000 and 2012 employing a mixed-methods approach based on panel data models to explain the factors that influence labor relations reform; fuzzy set models to identify the necessary and sufficient conditions of labor relations reform; and analytic narratives to explore the causal mechanisms that underlie labor relations reform. This dissertation contributes to the existing literature by 1) presenting a theoretical framework that provides a more comprehensive approach to the study of labor relations; 2) introducing a large-N data set on labor relations reform in Latin America for the years 2000 to 2012; and 3) applying a panel data and fuzzy set mixed-methods approach to the empirical study of labor relations.

DEDICATION

This dissertation is dedicated to my loving family: my dear wife Valerie and my two handsome, beautiful, and articulate sons, Liam and Arlen.

ACKNOWLEDGMENTS

I am grateful for the support and generosity of Dr. Bill Smith and Dr. Lilian Yaffe, without whom I could not complete this dissertation. I thank the University of Miami Department of International Studies and the McKnight Foundation for their institutional support.

TABLE OF CONTENTS

	Page
LIST OF FIGURES	vii
LIST OF TABLES	ix
Chapter	
1 INTRODUCTION	1
Labor Relations Actors.....	7
Labor Relations and Distribution.....	10
Labor Relations Reform.....	13
Approach and Contributions.....	18
Plan of the Dissertation.....	19
2 LITERATURE REVIEW	22
Conceptualizing Labor Relations Institutions.....	23
Labor Relations Reform.....	32
Labor Relations and Labor Market Outcomes.....	42
Derived Hypotheses.....	49
Conclusion.....	51
3 THEORETICAL AND METHODOLOGICAL FRAMEWORK.....	53
Combining the De Jure and De Facto Perspectives.....	53
Power-Distributional Approach.....	58
Operationalizing Labor Relations.....	65
Methodology.....	73
Statistical Models.....	74
Analytic Narratives.....	83
Conclusion.....	85
4 COMPARATIVE CASE STUDY	88
Labor Relations Orientation.....	88
Likelihood of Labor Relations Reform.....	100
Sufficient Conditions for Labor Relations Reform.....	118
Analytic Narratives.....	128
Chile.....	129
Brazil.....	140
Conclusion.....	149
5 CONCLUSION.....	151
Comprehensive Theoretical Approach to the Study of Labor Relations.....	156
Rigorous Empirical Analysis of Labor Relations.....	159
Potential Future Research.....	164

REFERENCES	166
APPENDIX 1	175
APPENDIX 2	176
APPENDIX 3	177

LIST OF FIGURES

	Page
Figure 1: Total Number of Executives with Left-leaning Ideologies in Latin America by Year: 2000-2012	4
Figure 2: Average De Jure and De Facto EPL Scores by Country: 2000-2012	56
Figure 3: De Jure and De Facto EPL Change by Country: 2000-2012	57
Figure 4: Power-distributional approach institutional change model	62
Figure 5: Power-distributional approach institutional change typology.....	63
Figure 6: Average Electoral Democracy and De Jure EPL Score Changes by Country: 2000-2012	84
Figure 7: Average Electoral Democracy and De Facto EPL Scores by Country: 2000-2012	85
Figure 8: Average Executive Ideology and De Jure EPL Scores by Country: 2000-2012	91
Figure 9: Average Executive Ideology and De Facto Collective Bargaining Scores by Country: 2000-2012.....	92
Figure 10: Average Electoral Democracy and De Facto EPL Scores by Country: 2000-2012	95
Figure 11: Average De Jure and De Facto EPL Scores by Country: 2000-2012	95
Figure 12: Average Party Linkages and De Facto EPL Scores by Country: 2000-2012	97
Figure 13: Average FDI and De Facto EPL Scores by Country: 2000-2012	98
Figure 14: Electoral Democracy and De Jure EPL Change by Country: 2000-2012 ..	104
Figure 15: Inflation and De Jure EPL Change by Country: 2000-2012	104
Figure 16: Party Linkages and De Jure EPL Change by Country: 2000-2012.....	105
Figure 17: Trade and De Facto EPL Change by Country: 2000-2012	106

Figure 18: Electoral Democracy and De Facto Collective Bargaining Change by Country: 2000-2012	107
Figure 19: FDI and De Jure EPL Change by Country: 2000-2012.....	111
Figure 20: Party Linkages and De Facto Collective Bargaining Change by Country: 2000-2012	112
Figure 21: Executive Ideology and De Facto EPL Change by Country: 2000-2012...	115
Figure 22: Rule of Law and De Facto Collective Bargaining Change by Country: 2000-2012	116

LIST OF TABLES

	Page
Table 1: Labor Law Reform in Latin America by Country Year: 1990-1999	3
Table 2: Labor Law Reform in Latin America by Country Year: 2000-2010	5
Table 3: Chief Executive Ideology in Latin America by Year: 2000-2012	17
Table 4: Data Variables and Descriptions	72
Table 5: Descriptive Statistics	73
Table 6: Model 1 - Do leftist executives favor protective labor relations in Latin America? (2000-2012)	90
Table 7: Model 1 Summary Findings	99
Table 8: Model 2 – What factors influence labor relations reform in Latin America? (2000-2012)	101
Table 9: Model 2 – What factors influence protective labor relations reform in Latin America? (2000-2012)	109
Table 10: Model 2 – What factors influence flexible labor relations reform in Latin America? (2000-2012)	114
Table 11: Model 2 Summary Findings	117
Table 12: Model 3 - fsQCA truth table algorithm for de jure EPL reform in Latin America: 2000-2012	119
Table 13: Model 3 - fsQCA truth table algorithm for de facto EPL change in Latin America: 2000-2012	120
Table 14: Model 3 - fsQCA intermediate solution - sufficient conjunctions of conditions for de jure EPL reform in Latin America: 2000-2012	121
Table 15: Model 3 - fsQCA intermediate solution - sufficient conjunctions of conditions for de jure EPL reform in Latin America: 2000-2012	123
Table 16: Model 3 - fsQCA truth table algorithm for de facto collective bargaining change in Latin America: 2000-2012	125

Table 17: Model 3 - fsQCA intermediate solution - sufficient conjunctions of conditions for de facto collective bargaining change in Latin America: 2000-2012	126
Table 18: Model 3 Summary Findings	128

Chapter 1

Introduction

Labor relations are institutional systems that structure the balance of power among workers, employers, and the state and shape how recurring conflicts among them are managed (Cook 2007). Therefore, a reorientation of labor relations institutions entails a shift in the balance of power as well as a reallocation of the distribution of material resources. As a result, labor relations reforms may reaffirm the status quo or redistribute power and resources, thereby altering the design and outcomes of labor institutions.

In Latin America, labor relations have a profound impact on economic development, human rights, and democracy (Cook 2007). First, labor relations influence countries' abilities to compete in a globalized market and shape how the gains of development are distributed among actors, both domestic and international. As a result, labor relations have the potential to attenuate or exacerbate existing inequalities when they augment, protect, or eliminate labor protections through labor reform (Carnes 2014). Second, labor relations affect how countries address human rights because bonded labor, child labor, discrimination, and freedom of association, organization, and collective bargaining have become internationally recognized protections in the realm of human rights (Gross 2003). The view that "workers' rights are human rights" introduces international pressures for labor reform as workers in more developed countries, the U.S. in particular, pressure governments to demand improved labor conditions from existing and potential trading partners (see Ronconi 2012 and Murillo and Schrank 2011). Finally, labor relations influence countries' state of democracy because the level of political

participation by unions and employer associations, which are non-governmental organization representative of workers and businesses respectively, serves as an indicator of the extent of political expression and contestation that is allowed (Cook 2007).

Between 1990 and 1999, 13 Latin American countries experienced a total of 27 major labor reform years, 16 of which increased the flexibility of labor relations (see Table 1). Reform years measure whether a country experienced a legislated labor reform in a given year. Reform years associated with individual labor relations – represented by employment protection legislation (EPL) – were disproportionately oriented toward flexibilization while collective bargaining reforms were generally protective (Murillo et al. 2011; Murillo and Schrank 2005). Flexible reforms decrease the level of legislated labor protections while protective reforms increase the extent of protections. Brazil, Colombia, Ecuador, Guatemala, and Panama only introduced flexible EPL reforms during this period while Chile and El Salvador implemented protective reforms and Argentina, Nicaragua, Peru, and Venezuela each introduced offsetting reforms. Argentina and Peru loosened earlier flexible EPL reforms while Venezuela countered a 1990 protective reform with a flexible reform in 1997.

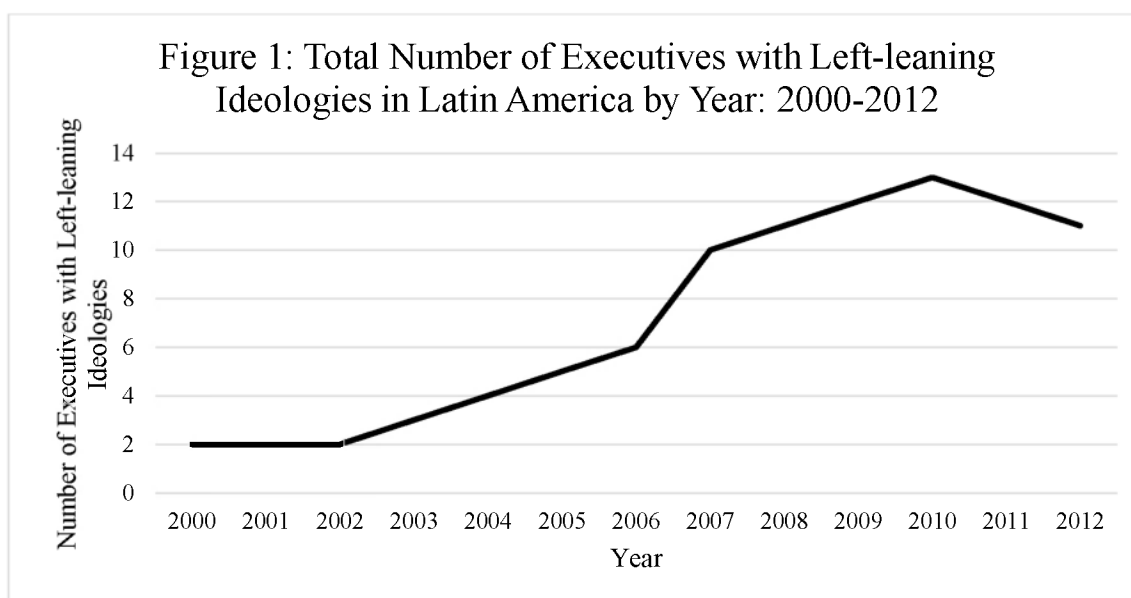
Labor reforms in the 1990s were found to be predominantly explained by the dynamics of traditional political and institutional legacies and not directly triggered by the economic and democratic transitions occurring during this period (Cook 2007; Murillo 2005). Labor unions were generally able to defend and expand collective bargaining protections, especially where they historically had access to policymaking, while individual labor relations became increasingly commodified due to the strength of business coalitions and right-leaning governments (Cook 2007; Murillo et al. 2011). The political

and institutional factors influencing the disproportionate flexibilization of individual labor law vis-à-vis collective bargaining law during the active labor relations reform period of the 1990s in Latin America have been a topic of much debate (see Cook 2007; Murillo and Schrank 2005; Murillo et al. 2011).

Year	Country	EPL Orientation	Collective Bargaining Orientation	Major Law
1990	Chile	Protective	Union-friendly	Protective
1990	Colombia	Flexible	Union-friendly	Flexible
1990	Nicaragua	Both	Both	Flexible
1990	Panama	-	-	Flexible
1990	Venezuela	Protective	Union-friendly	Protective
1991	Argentina	Flexible	-	Flexible
1991	Chile	-	-	Protective
1991	Ecuador	Flexible	Union-adverse	Flexible
1991	Peru	Flexible	Union-adverse	Flexible
1992	Chile	-	-	Protective
1992	Guatemala	Flexible	Union-friendly	Protective
1992	Paraguay	-	-	Protective
1992	Peru	-	-	Flexible
1993	Chile	-	-	Protective
1993	Costa Rica	-	Union-friendly	Protective
1993	Paraguay	-	Union-friendly	Protective
1994	Chile	-	Union-friendly	-
1994	El Salvador	Protective	Union-friendly	Protective
1994	Peru	Flexible	-	-
1995	Argentina	Flexible	Union-adverse	Flexible
1995	Brazil	-	-	Flexible
1995	Guatemala	-	Union-adverse	Flexible
1995	Panama	Flexible	Union-friendly	Flexible
1995	Peru	-	-	Flexible
1996	Nicaragua	Protective	Union-friendly	Flexible
1996	Panama	-	-	Flexible
1996	Peru	Protective	-	-
1997	Venezuela	Flexible	-	Flexible
1998	Argentina	Protective	Union-friendly	Protective
1998	Brazil	Flexible	-	Flexible
N (all)	30	17	16	27
N (protective)	-	6	11	11
N (flexible)	-	10	4	16

Sources: Murillo et al. 2011; Murillo and Schrank 2005; Cook 2007; Frundt 1998

In Latin America’s post-neoliberal era of the 2000s, left-of-center presidential successes in the region following the election of Hugo Chávez in Venezuela in 1998 – known as the “Pink Tide” or “Left Turn” – were posited to increase labor protections (see Alemán 2014; Cook and Bazler 2013). In 2000, there were only two left-leaning executives in Latin American countries, Chile and Venezuela, compared to 13 in 2010 (see Figure 1). Beginning in 2003, the “Left Turn” electoral successes were observed in Brazil, Argentina, Uruguay, Bolivia, Costa Rica, Ecuador, Nicaragua, Paraguay, Guatemala, and Peru. The electoral rise of left-of-center executives in Latin America was largely influenced by endogenous and exogenous factors such as wealth inequalities, electoral competition, eroding public support for the Washington Consensus, and the 1998-2002 economic crisis (Levitsky and Roberts 2011; Castañeda 2006; Cleary 2006). However, after 2010, the electoral popularity of left-leaning governments began to decline.



Source: created by author based on data from V-Dem (2016)

Note: ideology of a given country-year reflects the ideology of the administration that governed most of that calendar year.

Between 2000 and 2010 seven countries experienced a total of 11 reform years to individual labor relations (EPL) (see Table 2). Colombia, Panama, and Paraguay implemented flexible individual labor reforms; Bolivia and Chile introduced protective reforms; and Argentina and Ecuador experienced offsetting reforms. Five of the six protective individual labor reform years observed during this period were implemented by four left-leaning executives while each of the four-flexible individual labor reform years were realized in right-leaning countries (Murillo et al. 2011).

Year	Country	EPL Orientation	Major Law
2000	Argentina	Flexible	Flexible
2000	Ecuador	Both	-
2001	Chile	-	Protective
2002	Argentina	Protective	-
2002	Chile	Protective	-
2002	Colombia	Flexible	-
2002	Panama	Flexible	-
2002	Paraguay	Flexible	-
2004	Argentina	Protective	Protective
2006	Bolivia	Protective	-
2008	Ecuador	Protective	-
2009	Bolivia	Protective	-
N (all)	12	11	3
N (protective)	-	6	2
N (flexible)	-	4	1

Sources: Murillo et al. 2011; Cook 2007

Note: Major law reform column only covers the years 2000-2004.

Unlike the 1990s, labor relations reforms were less common in the 2000s. The number of individual labor reforms declined from 17 to 11 and the number of countries experiencing reforms dropped from 12 to seven. Brazil, El Salvador, Guatemala, Nicaragua, Peru and Venezuela experienced individual labor relations reforms in the 1990s but not in the 2000s. Bolivia is the only country to have experienced an individual labor

relations reform in the 2000s and not in the 1990s. The decline in individual labor relations reform in the 2000s suggests that changes in the political and institutional context associated with labor relations has made labor relations reform more difficult than in the previous decade.

The empirical literature indicates that left-of-center candidates favor more protectionist labor policies but labor relations reform, protective or flexible, have declined relative to the 1990s (see Alemán 2014; Murillo et al. 2011). While the commodification of labor relations slowed, the orientation of individual labor relations in Latin America remained generally flexible because the numerous labor relations reforms that were implemented in the 1990s were largely untouched. For example, despite shifting to left-leaning executives, Brazil (1998), Guatemala (1992), and Venezuela (1997) failed to implement labor reforms in the 2000s that would offset the flexible individual labor relations reforms of the 1990s. The impact of the new Latin American left-of-center administrations on labor relations reform is likely a complex interaction largely shaped by political and institutional contexts, which shape the pressures for reform. However, given the continuation of traditional political and institutional legacies in Latin America, the decline in labor relations reform in the 2000s is puzzling.

This dissertation will examine the political and institutional context in Latin American countries between 2000 and 2012 to explain the decline in labor relations reform. The focus will be on the decline of individual labor relations reform in Latin America during the 2000s but collective bargaining reforms will also be analyzed. Additionally, in order to provide a comprehensive account of Latin American labor relations this

dissertation employs both the de jure and de facto conceptualizations of labor institutions, as well as a mixed-method-based comparative analysis.

The political economy of labor relations differs from other institutions and areas of policymaking because it is arguably the most contentious institutional system given the actors who actively compete to shift the balance of power in their favor, thereby creating pressures on the government to reorient labor relations institutions and redistribute material resources. Additionally, the fact that labor relations have profound impacts on the distribution of political and economic resources means that there is much to be gained through the pursuit of labor relations reform. Lastly, labor relations are contentious because, unlike other institutions, labor relations are relatively unsettled, and this potential for change creates the space for high levels of conflict.

However, like other institutions, labor relations are influenced by the political and institutional legacies that preceded them. In particular, countries' experiences with democracy, political repression, political party linkages, and the rule of law provide actors with unique settings upon which political contestation takes place. This means that the political and institutional configurations that exist in each country, based on their unique history, largely shape how actors compete for the material resources that labor relations confer.

Labor Relations Actors

The state is arguably the principal actor that influences labor policy. The state has the regulatory capacity to design, implement, and enforce labor relations laws and regulations. However, the state is much more than just a conduit for regulation.

Governments utilize labor relations policies as instruments to pursue national development plans that have political and economic consequences. At the same time, political parties in power use labor relations policies to provide concessions to their constituencies and maintain electoral support (Murillo 2001; Collier and Collier 1979).

However, given the importance of labor relations to politics and economics, governments' regulatory capacity is also heavily influenced by domestic and international pressures. Domestically, workers view labor relations as a mechanism that raises their voices in the workplace and in the broader society (Cook 2007). As a result, workers pressure the state to bestow protections and benefits that improve their material conditions and also further their capacity to influence policymaking. Unions, in particular, use labor relations policies as tools that endow them with the necessary power and resources to represent workers and participate as a formidable bloc. On the other hand, domestic employers see labor relations as instruments that allow them to control a crucial factor of production, labor, thereby potentially reducing the cost of doing business, increasing competitiveness, and fostering entrepreneurship. Employer organizations strive to create a political alliance among employers—transforming their economic weight into political power—in order to advance their capacity to influence the state and increase the flexibility of labor relations (Cook 2007).

Internationally, numerous actors pressure Latin American countries to reform labor relations. First, international financial institutions (IFIs) like the International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank have long influenced labor policy in Latin America (Burgess 2010). IFIs attach conditions to international assistance that require labor relations reform in order to further their

development agendas in the region, which are largely oriented toward the flexibilization of labor markets (see Burgess 2010; Heckman and Pagés 2003). Second, multinational corporations (MNCs) lobby Latin American governments to reform labor relations so that they can compete with domestic producers by asking countries to provide them with a regulatory framework similar to that afforded to domestic firms (Ronconi 2012). Third, trade partners, particularly the U.S., also influence Latin American labor policy because workers in more developed countries lobby their governments to condition trade deals with mandated labor reforms that enhance labor protections in order to address the international exploitation of workers and to prevent firms in Latin America from having an unfair advantage in labor-intensive production (see Burgess 2010; Frundt 1998). Lastly, the International Labour Organization (ILO) pressures Latin American countries to reform labor relations in their effort to implement common core labor standards throughout the world.

Domestic and international pressures on the state for labor relations reform are largely influenced by structural economic conditions (Cook 2007). Changes in macroeconomic and labor market conditions such as fluctuations in the inflation and unemployment rates have the potential of increasing demands for labor relations reform (Dömeland and Gill 2002). Similarly, changes in macroeconomic and labor market conditions can alter actors' policy preferences and realign political forces to form new coalitions. Additionally, the degree of economic development shapes both the level of demands for labor relations reform and the types of policies that actors pursue.

Labor Relations and Distribution

Internationally acknowledged basic working standards include the prohibition of child labor, a minimum wage, a normal work schedule with an overtime premium, health and safety standards, and the ability to organize freely (Cox-Edwards 1997). Current labor policy in Latin America furthers basic working standards to include regulations on employment contracts, severance payments, unemployment compensation, and collective bargaining. On a more macro-level, labor policies in Latin America are a product of the political and historical legacies that have shaped labor relations over time (see Carnes 2014; Burgess 2010; Cook 2007; Murillo 2005). Actors actively compete with each other and contest the orientation of the design and implementation of labor policy in order to influence the distribution of power and material resources. Capital seeks to increase the flexibility of labor relations by deregulating aspects of the worker-employer relationship while labor prefers to expand the protections of labor relations by introducing or furthering labor regulations that address worker security (Cook 2007).

Laws and regulations covering employment contracts and severance payments are collectively considered individual labor relations or EPL. First, regulations addressing employment contracts can impact the cost of worker hires and dismissals (Dömeland and Gill 2002). Temporary or fixed-term employment contracts generally allow workers and employers to make lower contributions to social security, welfare programs, and union dues. This means that the cost of hiring and employing a temporary or fixed-term worker is considerably less than that of a “permanent” worker. Additionally, employers are able to dismiss temporary or fixed-term workers without severance pay. Allowing or expanding the use of temporary and fixed-term contracts means increasing the flexibility of

employment contracts, thereby lowering employer hiring and firing costs (Cox-Edwards 1997). However, the flexibilization of employment contracts increases job turnover, reduces job tenures, and limits the availability of stable job options. As a result, the number of workers covered by unions declines and union power decreases. Advocates of temporary and fixed-term contracts argue that flexible employment contracts increase dynamism in the labor market and improve the efficient allocation of workers while opponents contend that deregulation commodifies labor and creates unstable conditions for workers. In Latin America and the Caribbean, at the turn of the century, 14 out of 26 countries restrict the use of temporary or fixed-term contracts (Dömeland and Gill 2002).

Second, severance payments impact the cost of worker dismissals by imposing fines on employers when firing a worker without cause (Dömeland and Gill 2002). Some argue that countries that reduce or eliminate severance payments can spur job creation because the reduction of firing costs would lower overall labor costs and incentivize hiring (Cox-Edwards 1997). Conversely, supporters of EPL posit that severance payments increase job tenure and labor productivity and foster a more cooperative working environment because workers and employers are more committed to each other (Dömeland and Gill 2002). In Latin America, the level of legislated severance payments is largely dependent on job tenure, salary, and cause of dismissal.

Third, unemployment compensation generally comes in two forms: compensation funds and unemployment insurance (Dömeland and Gill 2002). Compensation funds allow workers to make regular contributions to individualized accounts they can draw from in the case of job separation or other qualified causes. These funds are intended to provide workers with a type of self-insurance that protects them from potential income losses

caused by unemployment. Compensation funds exist in Panama and Peru. Alternately, unemployment insurance provides laid-off workers with temporary income support while they find a new job, generally by using pooled contributions from workers and employers. Argentina, Brazil, Chile, Colombia, Ecuador, Uruguay, and Venezuela each have unemployment insurance programs. Critics of Latin American unemployment insurance programs contend that the administrative burden of managing these programs places large costs on governments (Cox-Edwards 1997). Proponents of unemployment insurance argue that it promotes macroeconomic stability because it maintains consumption levels during periods of high unemployment and provides workers the support to find optimal employment arrangements (Dömeland and Gill 2002).

Lastly, collective bargaining policies address the centralization of collective bargaining and the coverage of collective bargaining agreements. The centralization of collective bargaining impact whether labor conditions are negotiated at the level of the plant, sector, or nation (Cook 2007). Similarly, policies dictating the extent of coverage for collective bargaining agreements determine whether unions can bargain on behalf of both union members and nonmembers. Collective bargaining policies largely impact the consolidation of unions and their ability to represent labor effectively. Unions that are unified and centralized are more likely to influence labor policy because they can communicate policy preferences and mobilize resources more effectively. Advocates of flexible labor relations argue that collective bargaining policies enable formal-sector workers with high skill levels who are entrenched in their industries to collect rents at the expense of informal-sector workers and workers that are young, female, or unemployed (Carnes 2014). Conversely, proponents of collective bargaining policies maintain that

legislation should support unions' abilities to negotiate effectively with employers on behalf of workers and that without such policies the commodification of labor is inevitable (Etchemendy 2004).

Labor Relations Reform

Latin American labor relations reforms address either individual or collective labor relations (Murillo 2005). Individual labor reforms focus on altering EPL and unemployment compensation while collective labor reforms affect collective bargaining and labor organizing. Labor relations reforms impact the orientation of labor relations, which may be characterized as either more flexible or more protective. Generally, flexible labor reforms reduce regulations and decentralize the level of collective bargaining in order to commodify labor while protective labor reforms increase regulations and centralize collective bargaining so that workers' rights may be protected or enhanced. Some studies conclude that protective labor reforms increase labor market rigidity while flexible reforms decrease labor market rigidity (Feldmann 2009; Djankov and Ramlho 2009; Cox-Edwards 1997). However, the direction of reforms is largely shaped by the political and institutional legacies that preceded the reforms (Cook 2007).

According to Carnes (2014), comprehensive labor codifications started in Latin America during the early 1900s and these early labor relations systems persisted through the region's industrialization period. As industrialization led to considerable rural to urban migration, skilled and unionized workers in economically important sectors sought to institutionalize their privileged status through labor legislation (Carnes 2014; Portes 1989, 1994). In Latin America, early labor laws represented the incorporation of organized labor

as an influential bloc that were largely coopted by leftist political parties (Collier and Collier 2002). Therefore, early labor relations systems excluded non-skilled workers and the level of protections between white-collar and blue-collar workers have widened over time (Carnes 2014). Even when labor legislation intended to cover most workers, weak enforcement allowed for de facto exclusion of labor protections (Carnes 2009; 2014).

Latin America's early labor relations systems have largely endured political and economic transitions (Cook 2007). This is particularly due to the ability of unions to leverage their political power to defend labor protections and extend their policymaking influence. However, the rise of military dictatorships in Latin American during the 1970s led to the oppression of unions throughout the region (Cook 2007). The shift to democracy coupled with the economic volatility from the debt crisis of the 1980s heightened the levels of conflict associated with labor reform as union repression declined (Cox-Edwards 1997).

Democratization enabled unions to reestablish their relationships with leftist political parties based on traditional corporatist ties. However, the shift away from industrial production and toward services in some countries led unions to reassess their base of support (Cox-Edwards 1997). Union's traditional ties with industrial workers were not completely severed, but the declining number of industrial workers left unions to seek membership support from workers in the service sector, such as public sector workers, teachers, health workers, and transport workers. Service workers were effectively mobilized by unions because of the concentration of workers in few employers and the impact that service worker strikes had on the domestic economy.

Additionally, the economic volatility from the debt crises of the 1980s, and the subsequent neoliberal reforms, further challenged the traditional role of unions in Latin

America (Dömeland and Gill 2002). Throughout the region governments pursued structural reforms in order to achieve macroeconomic stabilization and enacted neoliberal economic reforms so as to address the challenges of increased domestic and international market competition. Labor-backed parties, while still allied with unions, also pursued neoliberal reforms, many of which were at odds with their labor constituencies (Cook 2007).

Proponents of neoliberal reforms argued that flexible labor reforms were necessary to address wage and labor market rigidities that made Latin American labor uncompetitive (Dömeland and Gill 2002). They claimed that volatile market conditions necessitated a flexible workforce that can be adjusted accordingly and allocate workers more efficiently. Governments were swayed by these arguments because they mandated job creation and economic growth. Traditional corporatist labor relations were tested and union membership declined, but unions were able to defend labor protections, especially those associated with collective bargaining. Additionally, unions preserved their connections with leftist parties and effectively mobilize workers. By the end of the 1990s, it was clear that EPL became increasingly flexible and that unions in some countries had successfully enhanced collective bargaining protections in the face of neoliberal pressures for flexibility (Murillo et al. 2011).

The ability of unions to defend labor protections during the 1980s and 1990s was heavily influenced by the presence of labor-backed ruling parties (Murillo 2005). Generally, unions were capable of influencing policymaking and defending labor protections during a volatile political and economic period in the region because labor-backed ruling parties provided unions with concessions in return for electoral support. The

alliances between unions and parties are largely shaped by traditional political and institutional legacies but the ties were nonetheless deepened by the watershed moment in which each depended on each other for survival (Cook 2007). The 2000s would marshal the electoral success of left-leaning, and generally labor-backed, parties throughout Latin America (Levitsky and Roberts 2011).

In 2010, an executive with a leftist ideology governed in 13 out of 17 countries in Latin America (see Table 3). Colombia, Honduras, Mexico, Panama were the only countries in the region not to have a left-leaning executive between 2000 and 2012. Conversely, Argentina, Bolivia, Brazil, Chile, Uruguay, and Venezuela each experienced at least seven years of left-of-center governments. Given the history of leftist parties as traditionally labor-backed parties in Latin America the potential for increasingly more protective labor reforms, particularly for EPL, seemed within the grasp of workers. However, only four countries experienced protective EPL reforms between 2000 and 2010 (Murillo et al. 2011). This dissertation will explain how political and institutional factors influenced the decline in labor relations reform in Latin America during the 21st century.

Table 3: Chief Executive Ideology in Latin America by Year: 2000-2012

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Argentina	0.33	0.33	0	0	1	1	1	1	1	1	1	1	1
Bolivia	0	0	0	0.33	0.33	0.33	1	1	1	1	1	1	1
Brazil	0.33	0.33	0.33	1	1	1	1	1	1	1	1	1	1
Chile	1	1	1	1	1	1	1	1	1	1	1	0.33	0.33
Colombia	0	0	0	0	0	0	0	0	0	0	0	0	0
Costa Rica	0	0	0	0	0	0	0	1	1	1	1	1	1
Ecuador	0	0	0	0.33	0.33	0.33	0.33	1	1	1	1	1	1
El Salvador	0	0	0	0	0	0	0	0	0	0	1	1	1
Guatemala	0	0	0	0	0	0	0	0	1	1	1	1	0
Honduras	0	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	0.33	0	0	0	0	0	0	0	0	0	0	0	0
Nicaragua	0	0	0	0	0	0	0	1	1	1	1	1	1
Panama	0	0	0	0	0	0	0	0	0	0	0	0	0
Paraguay	0	0	0.33	0.33	0.33	0.33	0.33	1	1	1	1	1	1
Peru	0	0	0	0	0	0	0	0	0	1	1	1	1
Uruguay	0	0	0	0	0	1	1	1	1	1	1	1	1
Venezuela	1	1	1	1	1	1	1	1	1	1	1	1	1

Source: Varieties of Democracy Project 2016; Beck et al. 2001.

Notes: Ideology of a given country-year reflects the ideology of the administration that governed the majority of that calendar year. The coding applied was: 0 = right, 0.33 = center-right, 0.66 = center-left, 1 = left. Administrations' codings employed in this dissertation may differ from the codings utilized by the Varieties of Democracy Project due to differences in coding scales. Panama's 2009 calendar year was evenly split by two administrations, both coded as right.

Approach and Contributions

The Latin American left-of-center presidents of the 21st century largely eschewed labor relations reform despite the continuation of traditional political and institutional links between leftist parties and unions. It was predicted that the appetite for flexible labor reform during the region's neoliberal reform period would be replaced by an inclination toward protective labor reforms when leftist political parties took power (Piore and Schrank 2008; Madrid 2009). However, the prospects of a "regulatory renaissance" in Latin American labor relations based on a neoliberal backlash appears to have dissipated (Piore and Schrank 2008: 1). My empirical puzzle is compelling because the "Pink Tide" did not lead to considerable labor reform activity. Instead, I contend that changes in the political and institutional conditions of Latin American countries in the 2000s have altered the labor reform trends of the 1980s and 1990s.

This dissertation will analyze the complex interactions between the political and institutional factors that impact labor relations reform, for both EPL and collective bargaining, to explain the decline in labor relations reform between 2000 and 2012 by employing a comparative analysis of 17 Latin American countries. I will then contribute to the existing literature on Latin American labor relations by explaining the factors that led to the decline in labor relations reform after 1999 by: 1) presenting a theoretical framework that provides a more comprehensive approach to the study of labor relations; 2) introducing a large-N data set on labor relations reform in Latin America for the years 2000 to 2012; and 3) applying a panel data and fuzzy set mixed-methods approach to the empirical study of labor relations.

Plan of the Dissertation

Chapter 2 provides a synthesis of the empirical literature on Latin American labor relations by exploring the two governing debates: 1) how to best conceptualize labor relations institutions for empirical research and 2) what are the factors that influence labor relations reform? First, I compare the two differing perspectives on the conceptualization of institutions that lead to contrasting approaches to the analysis of labor relations. Most scholars employ the *de jure* conceptualization of labor relations institutions that views labor relations institutions and codified labor law as largely synonymous (see Murillo and Schrank 2005; Cook 2007; Murillo 2005; Frundt 1998). This conceptualization of institutions fundamentally reflects the institutions-as-rules approach's focus on *de jure* institutions, formal rules that are explicitly and intentionally created (see Hodgson 2006; North 1993). The *de jure* conceptualization of labor relations is commonly operationalized by classifying and coding national labor laws as well as through the rigidity of employment index of the World Bank's Doing Business report (see Alemán 2014).

Conversely, the *de facto* perspective of labor relations institutions focuses on the practice/operation of labor relations as opposed to the codification of labor laws. By focusing on *de facto* institutions, scholars study the norms of behavior and other conventions that are not necessarily codified, but that structure the interactions of labor relations (see Almeida and Poole 2013). In the context of labor relations, the implementation of laws and regulations is as important as the laws themselves when assessing the orientation of labor practices and determining whether labor relations reform has occurred. The empirical research on Latin American labor relations reflects this perspective in encompassing the factors of labor law compliance and enforcement and the

rule of law in their operationalization of labor institutions. The de facto conceptualization of labor relations institutions has also been operationalized through the use of the World Economic Forum's (WEF) Global Competitiveness report's annual survey indicators for EPL and collective bargaining centralization.

Second, this chapter presents the debate on the factors that influence labor relations reform, which focus on: the ideology of presidential administrations, political legacies, and international pressures. Some scholars find that the ideology of the executive is a significant predictor of labor reform (see Murillo et al. 2011; Alemán 2014). Others argue that labor reform is largely the product of political legacies based on the historical incorporation of unions into political parties (Cook 2007; Murillo 2005; Murillo and Schrank 2005; Murillo 2001; Burgess 2010; Collier and Collier 2002). Lastly, empirical findings suggest that international pressures in the form of foreign direct investment increases government enforcement of extant labor relations while trade openness has a negative effect on labor law enforcement (Ronconi 2012). However, no study has addressed the combination of executive ideology, political legacies, and international pressures empirically. This dissertation seeks to fill that void.

Chapter 3 explains my theoretical and methodological framework. First, I argue that the de jure and de facto conceptualizations of institutions can be combined to present a more comprehensive understanding of labor relations. I incorporate the power-distributional approach to explain how political and economic conditions shape both the design and practice of institutions. Second, I present data that operationalizes both de jure and de facto labor relations and numerous explanatory variables representing political and institutional conditions. Lastly, I explain a mixed-methods approach – based on panel data,

fuzzy set models, and analytical narratives – to the empirical comparative study of Latin American labor relations. I contend that this theoretical and methodological represents the state of the art in social science methods and allows labor relations to be studied in a more comprehensive and reliable manner.

Chapter 4 presents a comparative study based on panel data and fuzzy set analysis of labor relations reform in Latin America between 2000 and 2012. I explain the model findings assessing the factors that impact the orientation of labor relations, the likelihood of labor reform, and the necessary and sufficient factors for labor reform in Latin America. In addition to the findings of statistical models I present narrative case studies of Chile and Brazil, countries that illustrate the analysis' findings.

Lastly, Chapter 5 provides a discussion of the contributions of my dissertation to the field of Latin American labor relations and suggests future lines of research.

Chapter 2

Literature Review

Most scholars of Latin American labor relations define labor relations systems as a set of institutions or rules that impact workers and employers in one or more of the following three dimensions: individual labor relations (EPL), unemployment compensation, and collective bargaining (see Alemán 2014; Murillo et al. 2011; Vandenberg 2010; Stallings 2010; Cook 2007; Botero et al. 2004). Individual labor relations comprises rules on wage and nonwage costs, hiring regulations that address nonpermanent/non-regular employment and fixed-term contracts, regulation of working hours for the workday or workweek including overtime pay, and termination rules that address procedures for retrenchment and severance pay; unemployment compensation legislation contains rules on income support during periods of unemployment such as unemployment insurance programs; and collective bargaining legislation includes rules on union formation, union membership, the level of collective bargaining structures (e.g. firm, industry, economy-level), and strikes.

Labor laws and regulations that structure the entitlements and limitations of workers and employers in the dimensions of individual labor relations, unemployment compensation, and collective bargaining are extremely complex. A single codified law/regulation may include provisions that protect workers while simultaneously making working conditions more flexible. Therefore, some labor relations systems may approximate protective features in some dimensions and flexible features in others. As a result, the empirical research on Latin American labor relations reform has largely focused on explaining the orientation of labor relations in countries in the region and analyzing the

factors that lead to changes in orientation. The literature on Latin American labor relations can be synthesized around two debates: 1) how to best conceptualize labor relations institutions for empirical research and 2) what are the factors that influence labor relations reform?

Conceptualizing Labor Relations Institutions

The debate on how to best to study labor relations institutions for empirical study is based on two differing perspectives on the conceptualization of institutions that lead to contrasting approaches to the analysis of labor relations. Most scholars view labor relations institutions and codified labor law as largely synonymous and are therefore able to determine the orientation of labor relations systems through a close examination of existing laws (Murillo and Schrank 2005; Cook 2007; Murillo 2005; Frundt 1998). This view is known as the *de jure* conceptualization of labor relations institutions (see Burgess 2010). This conceptualization of institutions fundamentally reflects the institutions-as-rules approach's focus on *de jure* institutions, formal rules that are explicitly and intentionally created (see Hodgson 2006; North 1993). The institutions-as-rules perspective of institutions stems from the work of North (1990:3) who contends that institutions "are the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction," which include both formal and informal rules. The institutions-as-rules approach entertains the view that institutions are also norms of behavior and other conventions that are not codified but that structure social interactions, yet the predominant focus of the approach is on institutions as first and foremost rules that constrain behavior (Hodgson 2006).

In the context of labor relations, the sets of laws (legal rules) that codify labor practices are the institutions that serve as the main unit of empirical analysis. Scholars are able to focus exclusively on labor laws that address one of the three dimensions of labor relations or on a broader set of laws that provide a more comprehensive understanding of the orientation of labor relations in a given country. Scholars of Latin American labor relations have almost exclusively focused on codified labor practices when studying labor relations institutions because of the dearth of existing data on norms of behavior or social conventions. As a result, the empirical literature generally reflects a more macro level approach to the study of labor relations institutions that is engrained in the study of rules/laws that constrain and that eschews the micro level interactions of actors within labor relations systems.

Scholars studying labor relations reform and employing the *de jure* conceptualization of labor relations institutions measure changes in the content of codified laws to determine whether the laws have changed sufficiently to impact the orientation of labor relations. This approach entails a close review of national labor laws in order to assess whether they approximate protective or flexible orientations and a determination as to whether changes to existing labor laws further entrench the existing orientation or deviate from it. However, variation exists in the types of laws and regulations that scholars focus on because scholars differ in 1) their focus on general national labor relations systems versus a specific dimension of labor relations and 2) their focus on the type of labor law (e.g., legislated laws, presidential decrees, or constitutional reforms). These differences lead to marked distinctions in the number and orientation of labor reforms observed during a given period.

For example, Murillo and Schrank's (2005) analysis of collective labor laws focuses exclusively on labor reform through legislative action and excludes changes in labor regulations that occurred either by constitutional reform or by presidential decree. Murillo and Schrank (2005: 972) argue that: 1) constitutional reforms and presidential decrees are less common forms of labor reform when compared to legislative reforms; 2) the political logic of legislative reforms differs from that of constitutional reforms and presidential decrees; and 3) there is a "nearly insurmountable" missing data problem with constitutional reforms and presidential decrees addressing labor relations. The exclusive focus on labor reform through legislative action suggests that labor-backed parties provide concessions to unions primarily through legislative means.

Conversely, Cook's (2007) analysis of the role of political legacies in labor relations reform during the 1990s focuses on national labor relations systems and considers labor reforms implemented through either legislative action, constitutional reform, or presidential decree. Cook (2007: 55) posits that employing a broader lens when reviewing labor law reforms implemented through different means leads to a comprehensive understanding of the political dynamics associated with labor reform. Additionally, a broader review of labor law reforms includes important changes to labor relations systems that may go unnoticed when focusing solely on legislative action. For example, Argentina and Brazil implemented constraints on collective action and increased labor flexibility through presidential decrees during the early 1990s in order to undermine labor's interests and prevent labor unions from using existing partisan alliances to block legislative action. Similarly, Murillo et al. (2011) consider labor reforms implemented through either legislative action, constitutional reform, or presidential decree to provide a comprehensive

analysis of reform trends to the labor relations dimensions of external flexibility (EPL), unemployment insurance, personal compensation, and labor enforcement individually.

Information on national labor laws in Latin America is readily available from the International Labour Organization (ILO). First, the ILO offers NATLEX, a database of national labor, social security, and related human rights legislation covering 196 countries, including all countries in Latin America. Laws are classified into one of 23 subjects with pertinent subtopics. The subjects and subtopics most relevant to the three main dimensions of labor relations are: 1) labor codes, general labor, and employment acts; 2) freedom of association, collective bargaining and industrial relations; 3) employment security and termination of employment; 4) conditions of employment (labor contracts and wages); 5) conditions of work (hours of work); 6) unemployment benefit; and 7) labor inspection. The classification of laws by subject allows scholars to either focus on specific dimensions of labor relations or aggregate the laws of numerous subjects to study national labor relations systems more broadly. Murillo et al. (2011) and Murillo and Schrank (2005) obtained much of their data on labor relations reform from NATLEX. Additionally, the NATLEX data was used by the ILO to produce three comparative studies on labor reform in Latin America assessing the occurrence and depth of labor reforms across 17 Latin American countries and the Dominican Republic from the 1920s to 2005 (see Vega-Ruíz 2001, 2005).

The de jure conceptualization of labor relations is also commonly operationalized through the rigidity of employment index of the World Bank's Doing Business report (see Alemán 2014; Stallings 2010; Burgess 2010). The rigidity of employment index is based on Botero et al.'s (2004) employment law index, which is the first cross-country index on labor regulations to include developing countries. The employment law index was designed

as a measure of protection of employed workers based on the intuition that the index could measure the incremental cost to employers associated with deviating from an idealized employment contract. The rigidity of employment index reviews labor laws and regulations for 185 economies and scores countries by their respective level of employment rigidity.¹ The rigidity of employment index varies from 0 to 100, from more flexible to more protective labor institutions systems (from less to more rigid systems in the World Bank's perspective). Scores along the rigidity of employment index account for the marginal variation of labor laws and regulations that lead to scoring differences among the large sample of countries.

The rigidity of employment index is the average of three sub-indices measuring employment regulations associated with hiring, working hours, and redundancy. Over time, the components of each sub-index have changed to expand the scope of labor market regulation indicators. Generally, the difficulty of hiring index scores are based on: 1) the prohibition of fixed-term contracts for permanent tasks; 2) the maximum cumulative duration of fixed-term contracts; 3) the ratio of the minimum wage to the average value added per worker. The rigidity of hours index scores are based on: 1) restrictions on night work; 2) restrictions on weekly holiday work; 3) length of workweek; 4) workweek extensions; and 5) average paid annual leave. The difficulty of redundancy index scores are based on: 1) prohibition of redundancy as a basis for terminating workers; 2) employer notification to a third party when terminating a redundant worker; 3) employer notification to a third party when terminating nine redundant worker; 4) employer approval from a third

¹ The 2013 edition of the World Bank's *Doing Business* annual report is the last report to use the rigidity of employment index. Subsequent reports have expanded coverage to additional countries but no longer provide a rubric for scoring labor market measures.

party to terminate a redundant worker; 5) employer approval from a third party to terminate a redundant worker; 6) legal requirements for employers to reassign or retrain a worker before making them redundant; 7) application of priority rules for redundancies; and 8) application of priority rules for reemployment. Together, these labor market indicators are intended to provide a broad view of the level of employment rigidity, which can serve as a proxy for the level of EPL. The rigidity of employment index is a valuable resource in performing research on labor relations reform, employing the *de jure* conceptualization of labor relations, because it facilitates cross country comparisons of EPL levels across time using a standardized rubric for how the orientation of labor laws and regulations should be measured.

In contrast to the *de jure* approach, the second perspective of labor relations institutions focuses on the practice/operation of labor relations as opposed to the codification of labor laws. This view is known as the *de facto* conceptualization of labor relations institutions (see Burgess 2010). By focusing on *de facto* institutions scholars study the norms of behavior and other conventions that are not codified but that structure the interactions of labor relations (see Almeida and Poole 2013). In the context of labor relations, the implementation of laws and regulations is as important as the laws themselves when assessing the orientation of labor practices and determining whether labor relations reform has occurred. Scholars that employ the *de facto* conceptualization of labor relations posit that labor relations reform, be it protective or flexible, is possible without changing existing labor laws because endogenous or exogenous changes can lead workers, employers, and governments to drastically change, and even upend, how labor relations are practiced (Almeida and Poole 2013).

The empirical research on Latin American labor relations reflects this perspective in encompassing the dimension of labor law compliance and enforcement in their operationalization of labor institutions (see Burgess 2010; Stallings 2010; Ronconi 2012; Alemán 2014; Murillo et al. 2011). Given the difficulty of studying norms of behavior and other practices that are not codified, scholars of Latin American labor relations focus on measurable factors to show the importance of de facto labor relations. The common indicators employed to measure de facto labor institutions are related to the number of annual labor inspections or the number of labor inspectors available in a given country. In order to make these measures of labor law compliance and enforcement comparable over time and across countries they are often presented as ratios to the economically active population (see Ronconi 2012). The rationale behind the use of measures of inspections and inspectors as proxies for de facto labor relations is based on the belief that the number of inspectors and inspections reflects the implementation of labor laws through the allocation and employment of resources. Therefore, implementation of labor laws represents, arguably, the actual practice of labor laws.

Similarly, the rule of law is also employed as a proxy for de facto labor institutions (see Burgess 2010). While rule of law measures, such as the World Bank's rule of law index, do not directly measure de facto labor institutions, they do provide scholars with a general impression of legal compliance in a given country. Scholars argue that by combining de jure measures with a rule of law measure an accurate indicator of de facto labor institutions can be achieved because the ratification of laws and the likelihood of compliance are considered (see Stallings 2010). For example, Burgess (2010) argues that weak rule of law enables employers and the government to violate labor laws without

consequence because a weak rule of law signals high levels of impunity. Furthermore, Burgess (2010) suggests that weak rule of law diminishes the ability of unions to defend worker interests by increasing their reliance on the state for influence and by fostering large informal sectors outside the purview of union coverage.

In the context of Latin America, empirical research on the enforcement of labor laws between 1985 and 2009 finds evidence that the prevalence of enforcement of rules and regulations varies across countries in the region (Ronconi 2012).² Scholars argue that while formal codified rules matter, the enforcement of these rules should also be considered when assessing the actual impact of labor laws and regulations on workers, employers, and governments (Murillo et al. 2011; Ronconi 2012). For example, Almeida and Poole (2013) conclude that the de facto degree of stringency of the labor regulations, measured by the level of labor law enforcement, impacts the degree to which trade affects labor market outcomes in Brazil.

Furthermore, empirical evidence suggests that there is a large gap between the levels of de jure and de facto labor standards as well as between de jure and de facto labor flexibility in Latin America (Burgess 2010). Burgess (2010) employs a scale of 0 to 100 to measure the extensiveness of labor standards and labor flexibility across 17 countries in Latin America during 2006 and finds that labor standards were always less protective in practice than laws and regulations indicated and that labor flexibility was always greater than laws suggested. In fact, the gap between de jure and de facto labor standards ranged from 8.5 to 29.4 points—an average of 19.3—while the gap between de jure and de facto labor flexibility ranged from 3.5 to 25.5 points, an average of 13.2. On average, de facto

² Murillo et al. (2011) also find evidence of variation in the enforcement of labor laws and regulations in Latin America between 1990 and 2011.

labor standards were 24.4 percent less protective than de jure labor standards and de facto labor flexibility was 29.5 percent higher than de jure labor flexibility. Therefore, data suggest that the mainstream de jure approach to labor relations likely overestimates the prevalence of protective labor relations and labor relations reform and underestimates the extent of labor flexibility in Latin America.

The de facto conceptualization of labor relations institutions has also been operationalized through the use of the World Economic Forum's (WEF) Global Competitiveness Report's annual survey indicators for EPL and collective bargaining centralization. The WEF survey indicators have been proven to serve as appropriate representations for de facto labor institutions, laws, and regulations (Feldmann 2009). However, the WEF survey indicators have not been applied to the empirical research of labor relations reform or to the assessment of the orientation of labor relations systems. Instead, the only application of the WEF survey indicators as de jure labor relations indicators has been to assess the impact labor regulations on employment outcomes. Furthermore, the application of the WEF survey indicators to the study of Latin American labor relations reform is complicated by the survey's focus on business managers' perceptions in assessing the extent of labor regulations. Nonetheless, there is great potential in employing WEF survey indicators as direct indicators of de jure labor institutions in lieu of the common approach of employing proxies for labor compliance and enforcement. Additionally, despite its limitations, the WEF survey indicators serve as the only viable measure of de facto labor institutions given the lack of alternative indicators. The use of indicators of inspectors and inspections or the rule of law as measurements of de facto labor relations are limited in their ability to measure the complexity of labor law enforcement

and compliance, the actual practice of labor relations. As of 2016, the WEF survey data cover 140 countries, including all of Latin America. The main difference between the WEF survey and the World Bank's rigidity of employment index is that the WEF replaces expert codification of labor laws with the aggregation of survey responses based on the perception of labor relations of executives for a given country.

Ultimately, the two conceptualizations of institutions are both appropriate and valuable to the study of labor relations in Latin America. The main distinction between the two conceptual approaches is in their focus: the actual practice of institutions (de facto institutions) or the formal codification of laws (de jure institutions) (Pande and Udry 2005). As noted, the mainstream approach to the study of labor relations reform in Latin America is the de jure conceptualization of labor institutions because the majority of empirical research in the field largely relies on this conceptualization, explicitly or implicitly, to interpret the orientation of labor relations systems and to explain labor relations reform. However, despite the general dominance of the de jure conceptualization of labor institutions the empirical research that includes labor law enforcement variables suggest that the de facto perspective enhances the broader understanding of labor relations systems because compliance should not be discounted (see Burgess 2010; Stallings 2010; Alemán 2014; Murillo et al. 2011).

Labor Relations Reform

The factors that scholars focus on to explain labor reforms in the region are: ideology of presidential administrations; political legacies; and international pressures. Murillo et al. (2011) analyze the relationship between the ideology of presidential

executives and labor law reform in the dimensions of external flexibility (EPL), unemployment insurance, personal compensation, and labor enforcement individually in their examination of 108 presidential administrations in Latin America between 1985 and 2009. They conclude that presidential administrations with a right of center ideology are more likely to introduce flexible reforms, and less likely to introduce protective labor regulations, than left of center executives. In particular, they note that executive ideology is an especially strong predictor of EPL reform for the period between 2000 and 2009 where the eight observed labor reforms were evenly split by right of center executives in Colombia, Ecuador, Panama, and Paraguay that introduced reforms increasing labor flexibility and leftist governments in Argentina, Bolivia, Chile, and Ecuador that introduced protective reforms.

Furthermore, they find that leftist administrations are more likely to increase job security protections, increasing severance payments or unemployment insurance benefits, than right of center executives, although this finding is not statistically significant. This means that the relationship between executive ideology and the direction of EPL reform was not statistically proven. They were unable to discern the impact of executive ideology on unemployment insurance because only seven Latin American countries offer such programs (Argentina, Brazil, Chile, Colombia, Ecuador, Uruguay, and Venezuela) and only five of those countries implemented reforms of unemployment insurance between 1985 and 2009. Unlike labor reforms, they conclude that labor law enforcement, measured by the ratio of labor inspectors to the economically active population (in millions), is largely dependent on trade access to the U.S. market.

Additionally, Murillo et al. (2011) find that the ideology of the executive is a significant predictor of labor reform while longitudinal variation, the differences in the timing or reforms, is not significant. In fact, 14 out of the 18 Latin American countries sampled implemented at least one reform between 1985 and 2009. Reforms to external flexibility were the most common, 12 countries implemented reforms in this area between 1985 and 1999 compared to seven countries in the smaller period between 2000 and 2009. Labor reform activity varied over time and by country. Costa Rica, Honduras, Mexico, and Uruguay did not introduce any labor reforms during the period studied while Argentina and Ecuador each implemented five reforms. It is important to note that Argentina and Ecuador, as well as Brazil, Nicaragua, Peru, and Venezuela, implemented off-setting labor reforms in the same period. The distributed nature of labor reforms over time leads to the finding that the probability of labor reform over time is roughly the same between 1985 and 1999 and between 2000 and 2009 and the direction of reforms is similar during both periods (Murillo et al. 2011: 799).

Similarly, Alemán (2014) analyzes the impact of leftist governments on EPL for 13 countries in Latin America between 2004 and 2010. A one-way ANOVA statistical test finds that differences in executive ideology lead to similar mean employment regulation scores. Employing exploratory factor analysis, Alemán analyzes the relationship between executive ideology and five different EPL measures (the difficulty of hiring index, the difficulty of firing index, and the rigidity of hours index as well as measures of non-wage and firing costs). He concludes that leftist presidential administrations favor legislation that increase the cost of hiring and firing workers and increase employer contributions to social security in Latin America. However, Alemán also finds that the average scores for Latin

America on the employment laws index are below the world average, 0.451 and 0.488, respectively. Latin America's average score on the social security laws index is also higher than the world average, 0.578 and 0.569, respectively.

Additionally, Cook and Bazler (2013) review the labor policies associated with unions of leftist presidential administrations in Argentina, Brazil, Chile, and Uruguay during the 2000s to observe labor policy trends among leftist countries in Latin America. They conclude that labor policies have not been uniform under leftist administrations. They argue that union friendly policies have led to increased union participation in Argentina and Uruguay and in increased union density in Brazil. However, they find that Chile has improved individual worker protections but not collective rights. Cook and Bazler (2013) note that improving the ability of labor unions to engage in effective collective bargaining is a better indicator of protective labor reforms than individual employment protection legislation because it enables workers to be better represented in the policymaking process.

The empirical research explaining the relationship between political legacies and labor relations reform focuses largely on the historical incorporation of unions into political parties (Cook 2007; Murillo 2005; Murillo and Schrank 2005; Murillo 2001; Burgess 2010). Studies find that the presence of a partisan alliance in Latin America, when the governing party is allied with a major labor federation, increases the probability of union-friendly reforms between 1985 and 1998 (Murillo 2005; Murillo and Schrank 2005; Murillo 2001). Murillo and Schrank (2005) conclude that 13 of the 18 labor reforms in Latin America during this period enhanced collective bargaining and the ability of workers to organize because of partisan alliances. They employ a Cox's proportional hazards modelling approach to perform an event history analysis on four sets of explanatory

variables (structural factors; political alliances; institutional factors; and conjunctural factors) that may impact the probability of union-friendly collective labor legislative reforms. After running five distinct hazards models they find that the presence of partisan or transnational alliances increases the probability of union-friendly reforms. They consider a partisan alliance exists when the governing party is allied with a major labor federation and a transnational alliance exists when a petition under the U.S. Generalized System of Preferences (GSP) is filed on behalf of workers in a given country. Additionally, they find that institutional factors (level of labor-mobilization or repression) increase the probability of reform when a partisan alliance is present. However, they find that structural factors (logged GDP and logged GDP per capita) and conjunctural factors (GDP growth, inflation, democratic regime type, and trade regime type) do not impact the probability of reform in a statistically significant manner. Murillo and Schrank (2005: 987) argue that political alliances, influenced by “labor’s incorporation into the political system in the prior era of inward-oriented development,” are the key factors that guided labor reforms in Latin America, even during the period of free market reforms of the 1990s.

Additionally, Murillo (2005) finds that labor-backed parties in Latin America used employment regulations to maintain political support during the neoliberal period of the 1980s and 1990s. Murillo (2005) argues that incumbent labor-backed parties provided concessions to unions during periods of electoral uncertainty as a way to protect labor constituencies from the market-oriented policies that the median voter desired. Her analysis of 20 presidential administrations in 14 countries between 1985 and 1998 shows that 10 of the 16 reforms to individual labor law were deregulatory compared to just five of the 17 reforms to collective labor law. The cases of Argentina, Chile, and Venezuela reveal that

when political legacies exist, linking parties to unions, then it is possible to prevent or at least mediate the pressures of liberalization from deregulating employment relations.

Similarly, Murillo (2001) argues that partisan loyalties and conditions of union leadership and inter-union competitions, established under the era of import substitution industrialization (ISI), significantly impacted labor reforms during the late 1980s and 1990s. She analyzes 18 unions across five economic sectors (automobile, education, electricity, oil, and telecommunications) in Argentina, Mexico, and Venezuela. These three countries were ruled by labor-backed parties but nonetheless implemented neoliberal market reforms during the period studied. Murillo finds that union efforts to combat neoliberal reforms, and the subsequent government responses, varied across countries and across sectors. Unions were able to achieve considerable policy concessions in Argentina and Venezuela, largely due to union monopolies, but not in Mexico. Argentine unions won union-friendly legislation on collective bargaining and labor organization and achieved favorable reforms to pensions, social security, and welfare fund subsidies. Venezuelan unions won emergency wage hikes, layoff suspensions, and price controls. Mexican unions only won modest concessions to the labor code. Murillo (2001) concludes that labor-backed parties make concessions to unions in exchange for restraints on militancy during periods of economic uncertainty. However, observed levels of labor militancy do not simply reflect partisan loyalties and government's disposition to provide concessions to unions. Labor militancy is also influenced by union strength; inter-union competition for membership; and leadership or partisan competition for the control of unions (Murillo 2001).

Similarly, Cook (2007) finds that the variance in reform outcomes in the region during the 1990s is mainly due to differing political legacies that establish institutional conditions impacting labor's strength and capacity to influence reform outcomes. Cook (2007) studies six countries that faced similar pressures to implement labor liberalization reforms that increased economic competitiveness and met the conditionality of assistance from international financial institutions as part of the neoliberal shift in the region during the 1990s. Cook concludes that differences in political legacies led to differing labor law reform outcomes at the end of the 1990s: Chile and Peru implemented extensive flexibility reforms (under authoritarian regimes); Argentina and Brazil implemented moderate flexibility reforms (due to efforts from relatively strong labor movements against flexibility reforms); and Mexico and Bolivia, did not implement flexible labor reforms despite implementing liberal economic reforms. Cook argues that the variance in reform outcomes in the region during the 1990s were largely path dependent results of the lasting legacy of 20th century labor institutional conditions impacting labor's strength and capacity to influence reform outcomes. For example, established state corporatism in Mexico, Argentina, and Brazil provided "the best institutional setting for labor's organizational survival during its most difficult decade—the 1990s" (Cook 2007: 198). Furthermore, Cook finds that more unified and centralized union structures—e.g., a single peak labor confederation—reflect that labor is strong and confer a greater degree of negotiating power vis-à-vis the state.

Furthermore, Burgess (2010) concludes that legacy regimes, dominant patterns of labor incorporation, largely impacted the de jure and de facto labor standards and labor flexibility of Latin American countries in the 21st century. Using indices on labor standards

and labor flexibility, developed from data from the International Confederation of Free Trade Unions, the U.S. State Department, and the ILO for 2006, Burgess samples 17 Latin American countries and categorizes the countries into one of four legacy regimes: labor populism, pluralist welfarism, paternalist dictatorship, and conservative oligarchy. He finds that countries experiencing pluralist welfarism and labor populism scored highest on de jure and de facto labor standards relative to countries with paternalist dictatorship, and conservative oligarchy. However, countries with pluralist welfarism and conservative oligarchy scored highest on de jure and de facto labor flexibility. Burgess argues that pluralist welfare states, like Chile, Costa Rica, and Uruguay, have the highest labor standards and highest level of labor flexibility, as well as the smallest gap between de jure and de facto laws, because while these countries exhibit relatively generous social policies and a strong rule of law their unions lack a privileged position in policymaking. Conversely, paternalist dictatorships, like Ecuador, Panama, and Paraguay, exhibit low labor standards and low levels of labor flexibility because these countries are authoritarian regimes that repress organized labor while offering modest protections to individual workers.

Empirical research on the international pressures impacting labor policy is the third perspective in the debate of factors that impact labor relations reform in Latin America. Ronconi's (2012) study of 18 Latin American countries between 1985 and 2009 concludes that foreign direct investment increases government enforcement of extant labor relations while trade openness has a negative effect on labor law enforcement. Ronconi (2012: 103) posits that "governments react to the competitive pressures produced by trade opening by turning a blind eye to noncompliance with labor regulations, but increase enforcement in

response to pressures from foreign investors who seek to avoid competition from local noncompliers.” This means that international pressures may trigger de facto labor relations reform through changes in institutional compliance. These conclusions are supported by Murillo and Schrank’s (2005) findings that transnational alliances increase the probability of union-friendly collective labor legislative reforms in countries with political legacies of labor repression because the influence of transnational alliances is predicated on trade openness. Furthermore, Ronconi (2012) finds that the inspector per worker threshold recommended by the ILO is unmet by most Latin American countries and that differences across countries prevent a generalization of labor enforcement trends in the region. Ronconi (2012) measures labor law enforcement by focusing on the number of labor inspectors, employing an updated dataset on ratio of labor inspectors to the economically active population (in millions) in Latin America from Murillo et al. (2011) and on the number of labor inspections performed in a year, measured as the ratio between the average number of inspections conducted per year over the average economically active population (in thousands).

The debate about the factors that influence labor relations reform is not a zero-sum game. Scholars have shown the mutual importance of executive ideology and international pressures (Ronconi 2012); executive ideology and political legacies (Murillo and Schrank 2005; Cook 2007); and political legacies and international pressures (Murillo et al. 2011). However, no study has addressed the combination of executive ideology, political legacies, and international pressures empirically. This dissertation seeks to fill that void.

Beyond the two main debates in the empirical literature of Latin American labor relations reform, many differences exist in the choice of methodological approaches.

Murillo et al. (2011) study the impact of executive ideology on labor relations reform by applying an ordered logistic regression of scaled reform scores (based on protective or flexible reforms) on their executive ideology scaled scores (left of center or right of center). Murillo (2005) also follows an ordered logistic regression in her study of political legacies and labor relations reform. Similarly, Ronconi (2012) applies an OLS regression, with and without fixed effects, to examine the impact of international pressures on labor law enforcement.

Beyond regressions, Alemán (2014) analyzes the impact of leftist governments on EPL employing a one-way ANOVA statistical test and exploratory factor analysis. Murillo and Schrank's (2005) study of the relationship between union political alliances and union-friendly labor reforms is based on a Cox's proportional hazards modelling approach to perform an event history analysis on four sets of explanatory variables (structural factors; political alliances; institutional factors; and conjunctural factors) that may impact the probability of union-friendly collective labor legislative reforms. Other studies rely on more descriptive analysis of the factors impacting labor relations reform in Latin America (Cook and Bazler 2013; Cook 2007; Burgess 2010). Variation in methodological approaches tends to underscore differences in the sample size, data availability, and is largely guided by the research question being answered. However, differences in methodologies do not contribute to conflicting findings within the empirical literature on Latin American labor relations. Instead, the plurality of methodologies tends to affirm very similar conclusions about the impact that political and institutional conditions have on the orientation of labor relations and on the likelihood of labor reform.

Labor Relations and Labor Market Outcomes

The importance of studying labor relations reform is due to the impact that the orientation of labor relations systems has on labor market outcomes. Studies analyzing the impact of labor relations institutions on labor market outcomes generally conclude that increasing the flexibility of labor regulations and deregulating employment regulations increases employment (see Nataraj et al. 2014; Djankov and Ramlho 2009). Cross-country studies are particularly popular because there is substantial heterogeneity of labor institutions across countries that scholars seek to generalize about (Kaplan 2009). In order to allow for comparison, most scholars employ aggregate measures of labor regulation as an independent variable and focus on employment or unemployment levels/shares for the dependent variable, typically formal employment. However, some scholars have considered EPL, minimum wages, firing rigidities, unemployment insurance, unionization levels, and dispute resolution institutions as their main independent variables and informal employment levels or shares as their dependent variable.

Botero et al. (2004) find a positive correlation between stricter labor regulations, measured by their employment laws index for 1997, and the average unemployment rate for 1991-2000 after controlling for average years of schooling. The negative impact of more rigid or protective labor laws on employment were particularly profound among the young. This study was unique for its time because it was the first to include developing countries in its analysis of labor regulations and labor market outcomes. While Botero et al. (2004) used a sample of 85 countries, including 11 from Latin America, as part of their study, other scholars have criticized that the findings are not valid because the study does not use panel data, thereby failing to control for unobserved country and year effects

(Feldmann 2009). Instead, Botero et al. (2004) employ an ordinary least squares regression for a cross section of 65 countries.

Other scholars employing different statistical methods have also found a negative relationship between more protective labor regulations and employment. For example, using sectoral data for 69 countries Micco and Pagés (2007) conclude that employment protection reduces employment by reducing the net entry of firms in sectors such as leather products and apparel. The decline in employment is mostly accounted by a decline in net entry of firms, with insignificant changes in average employment and output per firm. Heckman and Pagés' (2000) study of 15 Latin American and Caribbean countries also finds that labor laws and regulations increasing job security negatively impact aggregate employment, especially among youth and marginalized workers.

Additionally, Feldmann (2009) applies a random effects regression approach to data from 73 countries for 2000-2003 and also finds that greater labor market rigidity, protective regulations, is correlated with higher unemployment. Feldmann uses perception-based variables of labor regulations from the World Economic Forum's (WEF) Global Competitiveness report and from the Economic Freedom of the World (EFW) index. The labor market regulations component of the EFW index is an aggregate measure covering five dimensions: minimum wages, hiring and firing costs, collective bargaining, unemployment benefits, and military conscription. The components of the WEF labor market regulations index are based on surveys of senior business executives, except for the conscription measure. Feldmann's use of survey-based indicators differs from Botero et al.'s (2004) reliance on expert scoring of employment laws because survey respondents are

believed to account for compliance with labor laws, de facto labor regulations, as opposed to just the presence of codified labor laws, de jure labor regulations.

Kaplan's (2009) cross-country study of 10,396 firms in 14 Latin American countries also concludes that stricter labor regulations reduce employment. Using data from the World Bank's Enterprise Surveys, Kaplan argues that more flexible labor laws would lead to an average net increase of 2.08 percent in total employment. Smaller Latin American firms, those fewer than 20 employees, would benefit the most from more flexible labor laws with average gains in net employment of 4.27 percent. Furthermore, Kaplan finds that countries with heavily protected labor markets, such as Argentina, would experience the greatest gains in total employment. Kaplan posits that gains in total employment would be achieved through higher rates of dismissals/terminations but greater increased hiring rates. It is important to note that the World Bank's Enterprise Surveys, like the EFW, are based on respondents' perceptions of labor regulations. However, unlike the EFW, the World Bank's Enterprise Surveys also ask firms about potential dismissals and permanent hires if labor regulations were made more flexible in order to account for reported employment effects.

Vandenberg's (2010) cross-country study of 91 countries for the 3-year period 2003–2005 employs a fixed effects regression approach to study the effect of rigid labor regulations on unemployment rates. Vandenberg uses data from the World Bank's Doing Business report to measure labor rigidity and other data sources to measure centralization of collective bargaining, unemployment insurance programs, and bureaucratic costs. The study concludes that the composite labor rigidity measure, or its subcomponents of hiring difficulty, redundancy difficulty, or redundancy costs, does not impact unemployment

levels due to a lack of statistical significance. Additionally, the centralization of collective bargaining is not statistically significant. However, he does find that the level of benefits from unemployment insurance programs have a positive correlation with unemployment rates. Differences in Vandenberg's (2010) results from other cross-country studies are likely due to variation in methodology and data sources.

Cross-country studies analyzing individual labor laws or regulations, as opposed to aggregate measures, are less conclusive about the impact of individual labor laws on employment outcomes. Botero et al. (2004) conclude that collective bargaining and social security laws do not significantly impact employment but do significantly decrease male labor force participation. Likewise, Feldmann (2009) finds that the minimum wage, decentralized collective bargaining, and unemployment benefits do not significantly impact employment. However, Feldmann does find that individual indicators of hiring and firing costs as well as military conscription greatly impact employment levels. Outside of employment levels, studies have found that stricter labor regulations do increase the size of the informal economy (Botero et al. 2004) and reduce turnover and value added (Micco and Pagés 2007). Maloney and Núñez-Méndez (2004) study the effect of minimum wages on wages and employment across Latin America. They conclude that minimum wage regulation impacts the size of the informal sector as well as the wage levels in both the formal and informal sectors.

Single case studies analyzing the impact of labor relations institutions on labor market outcomes in Latin America also generally conclude that more protective labor relations systems negatively affect labor market outcomes. Bosch et al. (2007) find that protective and more rigid labor laws increase informality in Brazil. Eslava et al. (2004)

also find that reductions in protective and rigid labor laws increase productivity in Colombia. Montenegro and Pagés (2004) conclude that increased job security lowers employment levels among women, the young, and the unskilled while increasing the employment levels of older and skilled workers in Chile. Additional research on Chile shows that increased job security legislation reduces the employment-to-population rates of the young (Pagés and Montenegro 2007). Similarly, Kugler (2004) finds that decreasing job security costs lower unemployment durations in Colombia. Kugler makes the argument that protective labor policy leads to more prolonged bouts with unemployment. Saavedra and Torero (2004) find that increasing firing costs lower labor demand and mean job tenure in Colombia. However, Paes de Barros and Corseuil (2004) conclude that increased firing costs have no effect on labor demand or employment in Brazil. Almeida and Carneiro (2009) find that increased enforcement of labor regulations reduced employment and firm size in Brazil.

Single case studies of minimum wages in Latin America also tend to conclude that more protective labor relations systems negatively affect employment. Carneiro (2004) and Lemos (2004) find evidence that increased minimum wages reduce formal employment in Brazil and Maloney and Núñez-Méndez (2004) find similar evidence for Colombia. Additionally, Bell (1997) finds evidence that increased minimum wages reduces manufacturing employment in Colombia. However, Bell concludes that increased minimum wages did not affect manufacturing employment in Mexico. Furthermore, Alaniz et al. (2011) discover that increased minimum wages had no effect on employment in Nicaragua but did lower labor force participation. Additionally, Gindling and Terrell

(2009) find that increased minimum wages had a net employment effect close to zero in Honduras as it shifted employment away from larger firms and towards smaller firms.

Meta-analysis and systematic reviews of the literature on labor relations laws and regulations impact on labor market outcomes synthesize the existing literature to unpack the broader and significant trends in scholarly research. Nataraj et al. (2014) conduct a 17 study meta-analysis examining the impacts of various labor market regulations such as minimum wages and firing costs on various employment outcomes. Nataraj et al. focus their analysis on low-income and recently low-income countries, including Honduras and Nicaragua. They conclude that protective labor regulations decrease formal employment and increase informal employment while the impact on overall employment is ambiguous. Additionally, they find that “minimum wages in particular appear to have a stronger negative effect on formal employment among women compared to men” (Nataraj et al. 2014: 553). Djankov and Ramlho (2009) conduct a systematic review of findings from 30 studies on the effect of employment laws in developing countries and perform a cross-country correlation analysis of 83 countries using data from the World Bank’s Doing Business labor rigidity index. Djankov and Ramalho conclude a positive partial correlation between labor rigidity and the unemployment rate for 2003, controlling for per capita income. They also find that countries with stricter labor regulations tend to have larger informal sectors. A nonsystematic review of the effects of minimum wages, employment protection legislation, and unemployment insurance on labor market outcomes in developing countries also finds evidence that firing costs are associated with increased informality as well as lower job turnover and job reallocation and that minimum wages lower employment levels among women, the young, and the unskilled (Boeri et al. 2008).

However, while the net effect on employment levels from less protective labor regulations appears to be positive, these studies tend to underscore the quality of jobs created. Between 1990 and 2004 Latin American countries—especially Ecuador, Honduras, Nicaragua, and Venezuela—experienced “growthless jobs,” a combination of job growth coupled with weak output and labor productivity growth (Pagés et al. 2009: 5). During this period, in which labor relations reforms were generally oriented toward flexibility, job creation was disproportionately absorbed by low-productivity and low-wage service industries, such as retail and wholesale trade and community, social, and personal services (Pagés et al. 2009). This trend largely reflects the broader shift in resource allocation in the region from more to less productive industries. From 1990 to 2004 the tradables sector accounted for 32 percent of employment growth but decreased total growth in labor productivity by 84 percent, largely at the expense of the more productive manufacturing sector. The shift toward less productive employment growth led to declines in real wage growth, the percentage of salaried jobs affiliated with social security, and the share of workers in medium and large firms in most Latin American countries during this period (Pagés et al. 2009).

Likewise, studies linking more flexible, or less protective, labor laws to more employment generally point to the efficiency gains associated with less stringent labor regulations (see Djankov and Ramlho 2009). However, the assumption that labor flexibility enables a more efficient allocation of workers does not apply in the Latin American context. Labor flexibility means that workers generally have fewer labor protections such as unemployment compensation and severance payments. As a result, workers under flexible labor relations systems experience income-support programs that are either modest

or non-existent, as is the case of most countries in Latin America. In order to meet their basic needs workers can't afford to be unemployed for any considerable period of time. This dynamic likely forces many workers to take jobs that they would otherwise accept in order to address their income needs. In the long-term, flexible labor relations may impose high losses associated with worker displacement as an increasing number of workers take jobs that are worse than those that they would potentially obtain were they given access to income supports to stay in the job market longer (Pagés et al. 2009).

Additionally, many workers stand to be hurt from more flexible labor relations systems (Kaplan 2009). In fact, most of the reported efficiency gains associated with flexible labor relations appear to be concentrated among the young and unskilled while the losses are largely absorbed by the older and more skilled incumbent workers (Botero et al. 2004). Studies heralding the employment gains associated with flexible labor relations largely ignore the lack of compensatory or reemployment assistance given to displaced workers; workers that find themselves unemployed from the reallocation of jobs. Workers in Latin American generally lack the social programs that contribute to skills upgrading and reeducation that help them manage the challenges of displacement (Pagés et al. 2009).

Derived Hypotheses

The main hypotheses derived from the empirical literature on Latin American labor relations reform are as follows:

- H_1 : Executives with leftist ideologies favor protective labor relations.
- H_2 : Executives with leftist ideologies increase the likelihood of labor relations reform.
- H_3 : High levels of FDI increase the likelihood of labor relations reform.
- H_4 : Programmatic party-constituent linkages increase the likelihood of labor relations reform.
- H_5 : Low levels of union repression increase the likelihood of labor relations reform.

Each of the derived hypotheses present an empirically significant relation between an explanatory factor and labor relations reform. First, H_1 is derived from empirical research linking left-leaning executive ideology with more protective individual labor relations in Latin America because leftist governments prefer more secure and less commodified labor conditions for workers (see Alemán 2014). Second, H_2 is based on the empirical literature indicating that left-of-center executives in Latin America are more likely to extend individual-level employment protections, to appease their labor allies domestically and internationally (see Murillo et al. 2011; Murillo 2005). Third, H_3 is related to the literature on foreign pressures, such as MNCS, that influence labor relations in Latin America (see Ronconi 2012). Fourth, H_4 is based on political legacies associated with the inclusion of labor movements in the labor policymaking processes that shape Latin American labor relations (see Burgess 2010; Murillo and Schrank 2005; Cook 2007). Lastly, H_5 is based on the institutional legacies of the incorporation of unions in politics, as evident in the level of union repression, which impact labor's capacity to influence labor relations reform (see Murillo and Schrank 2005; Cook 2007).

An accepted hypothesis suggests that a given explanatory factor does yield labor relations reform but that the factor was relatively scarce in Latin America during the 2000s. Conversely, a rejected hypothesis indicates that the explanatory factor had an insignificant effect on the likelihood of labor relations reform in the 2000s. Therefore, a rejected hypothesis implies that the explanatory factor that influenced labor relations reform in previous decades may not be relevant in the 2000s because actors engaged with labor relations institutions are now responding to different, and likely more pressing, political and institutional factors.

Conclusion

Labor relations systems exemplify the contentious politics present in the design and implementation of policies that involve the distribution of material resources and the balance of power to shape institutions. The literature on Latin American labor relations reveals that the orientation of labor relations, and the likelihood and direction of labor reform, is largely influenced by executive ideology, political legacies and international pressures. Despite debates among scholars about which factor is most important, the empirical evidence indicates that each of these explanatory factors shapes labor relations and should be strongly considered in empirical analysis. However, a gap in the literature exists because these explanatory factors have not been addressed in a comprehensive manner. This dissertation seeks to fill that void by analyzing how executive ideology, political legacies and international pressures interact with each other to shape labor relations in Latin America in the 21st century. Additionally, the hypotheses derived from the empirical literature on Latin American labor relations will be tested to determine which explanatory factors continue to impact labor relations in the 2000s and which are no longer influencing labor relations reform.

Furthermore, the empirical literature concludes that these explanatory factors interact with differing levels of rule of law and labor law compliance to create distinct labor relations conditions across countries in Latin America. However, the debate on how to best conceptualize labor relations shows that many scholars of labor relations reform eschew the study of labor compliance and enforcement and view labor relations reform through the narrow lens of labor law. Additionally, scholars who note the importance of de facto labor relations have sought to compliment the de facto labor relations empirical literature with

indicators on rule of law and labor law enforcement. Unfortunately, this approach to the study of de facto labor relations yields limited contributions. This dissertation will fully explore the benefits and limitations of studying de facto labor relations empirically using WEF EPL and collective bargaining indicators, direct measures of de facto labor relations.

The next chapter will provide a thorough explanation of the theoretical framework and methodology employed in this dissertation. The theoretical framework furthers the combination of the de jure and de facto labor relations perspectives by applying the insights of the power-distributional approach to the empirical study of labor relations reform. Likewise, the mixed-methods approach to the empirical study of labor relations employed in this dissertation, based on panel data and fuzzy-set Qualitative Comparative Analysis (fsQCA) models as well as analytical narratives, represents the state of the art in methodologies that are available to analyze the complex interactions of explanatory variables on labor relations.

Chapter 3

Theoretical and Methodological Framework

In this chapter, I present my approach to explaining the decline in labor relations reform in Latin America between 2000 and 2012. My comparative study of Latin American labor relations reform is based on the conceptualization of labor relations as both de jure and de facto institutions; the power-distributional theoretical approach; the operationalization of both de jure and de facto labor relations indicators; and a mixed-methodology. First, I conceptualize labor relations institutions as both de jure and de facto institutions in order to provide a comprehensive understanding of how Latin American labor relations and labor reform operate in practice. Second, I explain how theoretical insights from the power-distributional approach to institutions (Mahoney and Thelen 2010) complement the de jure and de facto perspectives of labor relations. Third, I describe the operationalization of de jure labor relations institutions through the World Bank's rigidity of employment index and de facto labor relations institutions through the use of survey-based indicators from the World Economic Forum. Fourth, I explain my mixed-methodology approach based on panel data and fuzzy set statistical models and analytic narratives to the comparative study of Latin American labor relations reform. I argue that this theoretical and methodological approach represents a more comprehensive perspective of labor relations as well as the state of the art in social science methods.

Combining the De Jure and De Facto Perspectives

In order to examine the political and institutional context in Latin American countries between 2000 and 2012 and explain the decline in labor relations reform I

contend that both the de jure and de facto conceptualizations of labor relations are essential. The de jure conceptualization of labor relations focuses exclusively on codified labor laws while the de facto conceptualization aims to capture the actual practice of labor relations. The combination of these two conceptualizations of labor relations allows for a greater understanding of labor relations reform because it captures institutional changes that are overt, changes in labor law, as well as more subtle forms, changes in the practice of labor relations. This comprehensive approach to the empirical study of labor relations reform in Latin America has not been previously attempted but has the potential of revealing important insights about how changes in labor relations are not fully explained by focusing solely on legislative changes.

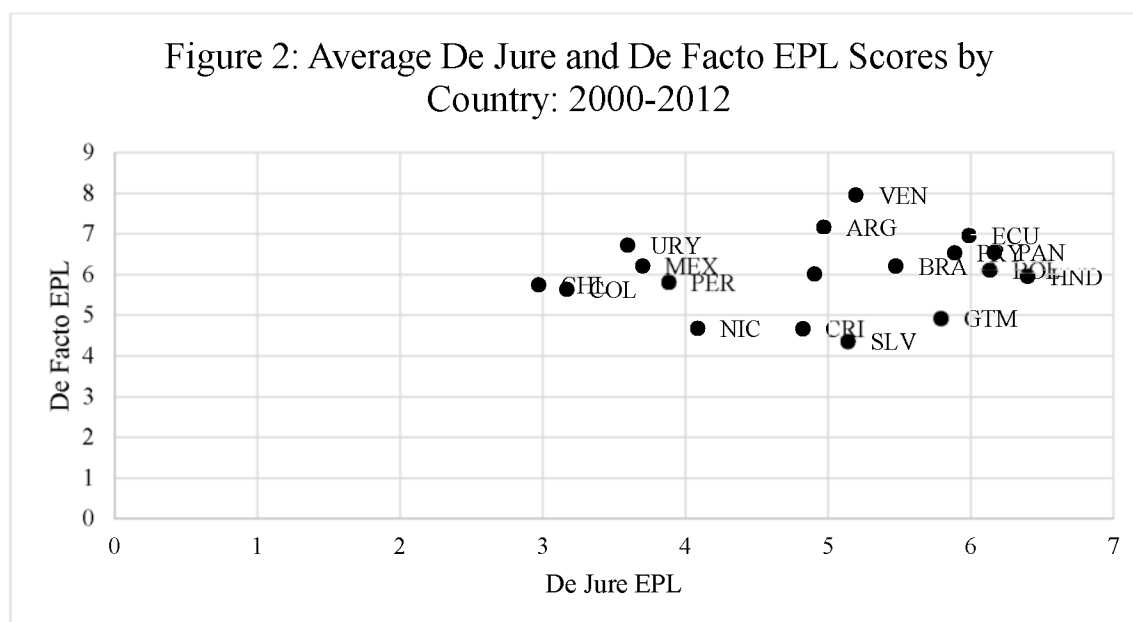
The dominant view in the empirical research of Latin American labor reform is that changes in labor laws signify labor reforms. Scholars employing the de jure institutions perspective generally point to presidential decrees, legislation, and constitutional reform as the main avenues for labor reform (see Cook 2007; Murillo et al. 2011). Some scholars extend their analysis of labor relations to incorporate the enforcement of labor regulations in the region by analyzing the ratio of labor inspectors to the economically active population or the number of labor inspections conducted in a given year (see Ronconi 2012; Murillo et al. 2011). However, the number of labor inspectors or labor inspections does not capture the large levels of discretion that labor inspectors, workers, and employers exercise in their compliance with labor laws (see Piore and Schrank 2008). Additionally, enforcement indicators present enforcement trends in Latin America that are largely volatile and inconsistent over time (Murillo et al. 2011). Therefore, indicators on Latin American labor enforcement do not reliably account for differences in labor law

compliance over time and across countries. This means that the empirical literature currently provides limited insights into how labor relations compliance relates to changes in labor law. This dissertation seeks to fill that void because evidence suggests that great variation in labor law compliance exists in Latin America.

Empirical research shows that there is often a large gap between de jure and de facto labor regulations (Stallings 2010; Burgess 2010). Stallings (2010) concludes that Latin America has the second largest gap between de jure and de facto labor standards and the greatest gap between de jure and de facto labor flexibility when compared to Eastern Europe, East Asia, and the Middle East. These findings signal that institutional compliance is a pressing issue in Latin America relative to other regions. Additionally, Burgess (2010) employs Stallings's indices to study a sample of 17 Latin American countries and finds that the gap between de jure and de facto labor standards and flexibility vary greatly within the region. Burgess argues that the dominant patterns of labor incorporation of Latin American countries in the 20th century, what he terms legacy regimes, impacted the de jure and de facto labor standards and labor flexibility of the 21st century.

Between 2000 and 2012 de jure and de facto EPL exhibited a very weak negative relation, based on a correlation coefficient of -0.049. However, the correlation was statistically insignificant. The correlation findings suggest that de jure and de facto EPL are largely independent of each other – changes in one dimension of EPL are not contingent on changes on the other dimension. Average de jure and de facto EPL scores between 2000 and 2012 reveal that 12 of the 17 countries analyzed exhibited higher de facto EPL scores than de jure scores (see Figure 2). Costa Rica, El Salvador, Guatemala, Honduras, and to a lesser extent Bolivia, were the five countries where de jure EPL scores were higher than

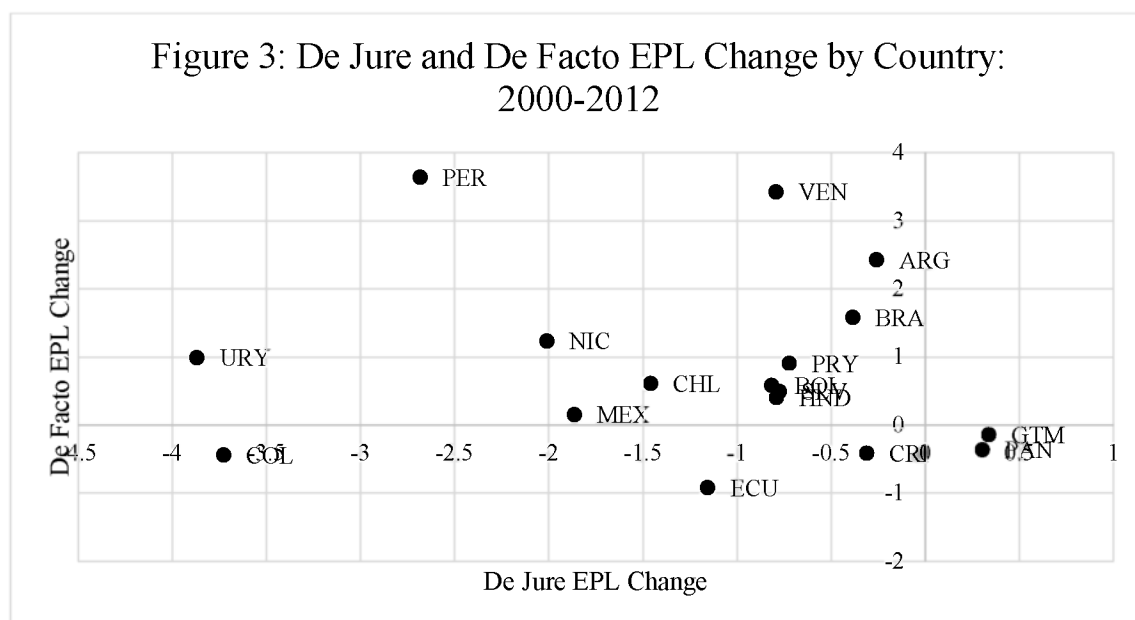
de facto scores. On average, de facto EPL scores in Latin America were 1.102 points higher than de jure scores, based on a 10-point scale.



Source: created by author based on data from Gwartney et al. (2016)

Furthermore, between 2000 and 2012 de jure EPL reforms were largely oriented toward increasing flexibility while de facto EPL changes raised protections (see Figure 3). Guatemala and Panama are the only countries that boosted protective de jure EPL levels in Latin America during this period. Conversely, Guatemala, Panama, Costa Rica, Ecuador, and Guatemala increased flexible de facto EPL levels while other countries in Latin America extended protections. This means that the protective de jure EPL reforms in Guatemala and Panama were undercut by variations in enforcement and/or compliance that made the actual practice of EPL more flexible. Ultimately, it is possible to both pass labor regulations that do not considerably change practices within the labor relations system and to experience changes in practice that run contrary to the design of labor regulations. In order to fill this void, the view of institutions needs to expand beyond a limited focus on

codified laws and toward a more comprehensive and dynamic understanding of labor relations.



Source: created by author based on data from Gwartney et al. (2016)

Combining the de jure and de facto conceptualizations of labor institutions provides a more complete approach to the study of labor relations reform because it acknowledges that shifts in institutional compliance can facilitate labor relations changes without de jure reforms, something that an exclusive focus on codified laws misses. This means that changes in the practice of labor relations need to be rigorously analyzed jointly with the changes in labor law. Additionally, a comprehensive understanding of labor relations reform in Latin America requires the examination of how political and institutional conditions influence labor relations. I contend that the power-distributional approach provides a valuable theoretical framework explaining how political and institutional conditions lead to both de jure and de facto institutional changes.

Power-Distributional Approach

Reconceptualizing labor relations institutions to allow a more comprehensive and dynamic understanding of labor relations can be achieved by applying the theoretical framework of the power-distributional approach. The power-distributional approach identifies institutions as contested settlements, “distributional instruments laden with power implications” (Mahoney and Thelen 2010: 8). This means that institutions are inherently the product of politics and that institutions provide a dynamic environment for further political contestation. Thus, actors actively compete to change institutions and changes in political and institutional conditions alter the political and institutional environment in which actors compete. Therefore, institutional change is brought about by actors pursuing their material interests, but transformations in political and institutional conditions may increase the likelihood that certain actors achieve institutional change.

The power-distributional approach largely supports combining the *de jure* and *de facto* conceptualizations of labor relations because it suggests that institutions are actively contested and that this competition for the material resources conferred by institutions leads to both gradual and sharp institutional changes. That is to say, actors can bring about both changes in labor laws and shifts in the actual practice of labor relations. The latter is reflected in deeper labor reforms found in legislative changes and in more subtle changes in how labor relations are practiced. Ultimately, actors can pursue numerous labor reform strategies that enhance their material interests and their change efforts are not limited to achieving legislative reforms.

This approach maintains that actors with differing material resources pursue the creation of institutions designed according to their institutional preferences. However, the

institutions that are created represent the intentions of dominant actors as well as the unintended consequences of conflict and compromise. As such, institutional outcomes reflect the coalitions and conflict between different actors. Consequently, the beneficiaries of resultant institutional arrangements prefer continuity and mobilize resources and political support to maintain the status quo (Thelen 2004). Conversely, subordinate actors disadvantaged by existing institutional arrangements seek to reshape the status quo.

Conceptualizing institutions as inherently dynamic and political is in sharp contrast to the mainstream view of institutions as rules. As mentioned in chapter two, the institutions-as-rules perspective of institutions contends that institutions “are the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction” (North 1990: 3). The institutions-as-rules perspective suggests that institutions are explicitly and intentionally created and, therefore, institutional change is also explicit and intentional. This approach leads to the assumption that once created, institutions are at equilibrium, self-perpetuating or self-reinforcing, until some exogenous and intentional force changes institutions. Scholars that favor the institutions-as-rules perspective tend to view institutional change as a punctuated equilibrium where an institutional steady state is exogenously disrupted for a brief period before returning to another steady state. The punctuated equilibrium is comparable to a critical juncture, a period of contingency where actors can break down or replace institutions (Capoccia and Kelemen 2007).

Conversely, the power-distributional approach suggests that institutions are products of both intentional and unintentional forces and that institutional change can be both endogenous and exogenous without the assumption that institutions are self-

reinforcing. Institutions are the battlefield for the ongoing struggles for material resources because of the inherent distributional nature of institutions. Therefore, actors pursue de facto institutional change as well as de jure institutional change in order to improve their chances of securing institutional change that further their material interests. The dynamism of institutional contestation may lead to unexpected or unintended consequences (Mahoney and Thelen 2010). Similarly, institutions are not self-reinforcing because contestation is inherent to the creation of institutions. The presence of active contestation by actors that may pursue alternate institutional change strategies – and that exists in a political and institutional environment that is itself subject to change – prevents institutional stasis.

The power-distributional approach's focus on endogenous change makes it clear that institutional change is often gradual in nature. The type of institutional change is dependent on the underlying political and institutional context because the fight for institutional control takes place within existent institutional arrangements. Institutions are not limited to moments of creation and break down; they also change subtly and evolve over time (Mahoney and Thelen 2010: 2). The process of gradual institutional change can lead to piecemeal changes or to more significant transformations, as in the case of institutional replacement. Mahoney and Thelen (2010) argue that ambiguities associated with the interpretation of institutions as well as differences in institutional compliance and enforcement are the features that indicate the type of institutional change that specific institutional arrangements are most likely to experience. Mahoney and Thelen (2010) contend that if institutions are not self-reinforcing, as some scholars assume, then institutional interpretation and compliance must be analyzed because these factors determine whether the designed distributional impacts of institutions are actually

occurring, or if subversive actors are undermining the status quo and reallocating resources. Consequently, actors actively contest institutional interpretations as much as they fight to shape the design of institutions according to their institutional preference. According to Mahoney and Thelen (2010: 10-11):

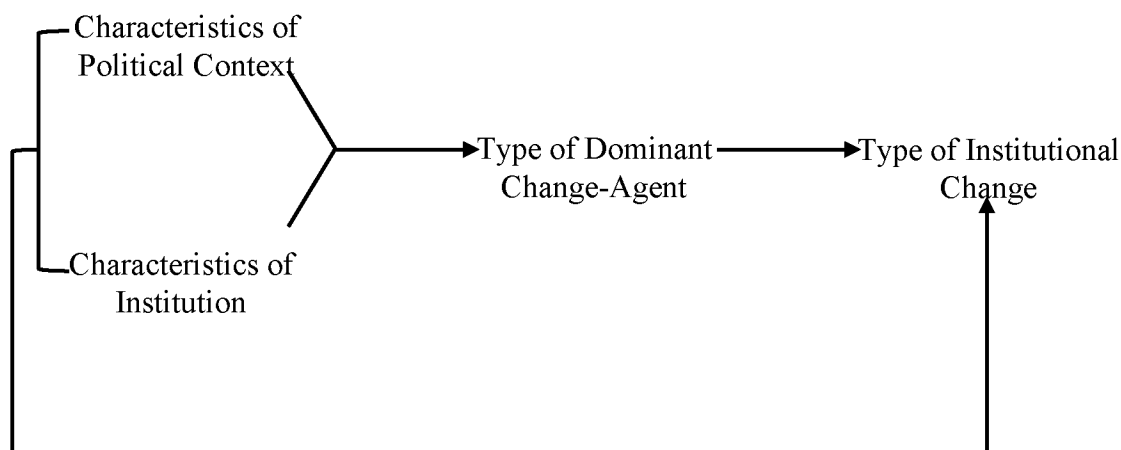
Even when institutions are formally codified, their guiding expectations often remain ambiguous and always are subject to interpretation, debate, and contestation. It is not just that unambiguous rules are enforced to greater and lesser degrees. Rather, struggles over the meaning, application, and enforcement of institutional rules are inextricably intertwined with the resource allocations they entail.

Institutional interpretation and compliance cannot be taken for granted because the precision of codified rules is never absolute; actors face cognitive limitations in designing rules; institutions are embedded in assumptions that can change over time and are rarely universal; and the implementation and enforcement of rules is often carried out by actors that did not design the rules (Mahoney and Thelen 2010).

Mahoney and Thelen (2010) apply the power-distributional approach to develop a model of institutional change that links types of institutional change to the existent institutional and political context. Their model shows that specific constellations of institutional and political contexts encourage different types of institutional change and that institutional and political conditions influence the emergence of particular change agents that pursue certain types of institutional change (see Figure 4). Institutional context is observed in the level of discretion available in the interpretation of and compliance with institutions. The political context is observed in the number of veto possibilities and the power level of veto actors that can potentially block institutional change. The former is evident in the observed gaps between de jure and de facto EPL labor relations (see Burgess 2010). The latter is apparent in how political and institutional legacies associated with the

incorporation of labor in Latin America have historically influenced union power and union capacity to influence policymaking (see Murillo and Schrank 2005; Cook 2007; Murillo et al. 2011).

Figure 4: Power-distributional approach institutional change model



Source: Mahoney and Thelen (2010)

Mahoney and Thelen (2010) introduce a typology of four distinct types of institutional change: replacing existing rules with new ones (displacement); attaching new rules to existing ones (layering); repurposing of existing rules due to changes in external conditions (drift); and reinterpreting existing rules due to institutional ambiguity (conversion). In the context of labor relations reform, the typology suggests that labor relations reform may involve de jure transformations – as when labor codes are transformed (displacement) or amended (layering) – or de facto changes – altering labor enforcement practices (drift) or modifying compliance (conversion). The types of institutional change are more or less likely to occur depending on how specific change agents, and coalitions, can implement institutional change using distinct strategies appropriate for different constellations of institutional and political contexts.

Furthermore, the four institutional change types are likely to be pursued by four distinct types of change agents: insurrectionaries; subversives; parasitic symbionts; and opportunists. First, insurrectionaries are likely to achieve institutional displacement because they prosper where the status quo cannot adequately defend existing institutions because of a lack of strong veto power and low levels of institutional discretion (flexibility in institutional enforcement and compliance (see Figure 5). Second, subversives pursue layering because strong veto powers and low levels of institutional discretion incentive amending existing rules because whole-scale change is largely unavailable. Third, parasitic symbionts tend to attempt institutional drift because they generally seek to “alter the valence and meaning of institutionalized rules” given the presence of strong veto powers (Mahoney and Thelen: 28). Lastly, opportunists pursue conversion because weak veto powers and high levels of institutional discretion enable these actors to practice non-compliance and exploit existing institutional rules to their advantage without changing the rules themselves.

Figure 5: Power-distributional approach institutional change typology

		Characteristics of the Targeted Institutions	
		Low Level of Discretion in Interpretation/Enforcement	High Level of Discretion in Interpretation/Enforcement
Characteristics of the Political Context	Strong Veto Possibilities	Subversives (layering)	Parasitic Symbionts (drift)
	Weak Veto Possibilities	Insurrectionaries (Displacement)	Opportunists (Conversion)

Source: Mahoney and Thelen (2010)

The institutional change model of power-distributional approach is an actor-centric institutional model focused on micro-level interactions. As such, it is a difficult model to operationalize in comparative empirical research, which generally focuses on aggregate macro-level interactions. Furthermore, it is considerably time-consuming and costly to obtain the data required to analyze the micro-level interactions because of the difficulty in untangling the institutional strategies available to all actors within the labor relations systems in each country studied. Unsurprisingly, studies employing the power-distributional approach have focused on single-case country research (see Falletti 2010; Jacobs 2010).

While the comparative empirical study of labor relations reform in Latin America must forgo the direct study individual actors within labor relations systems, we can study the political, institutional, and structural environment that influences their actions. The power-distributional approach's reconceptualization of institutions and the institutional change model's focus on institutional and political context can be applied to explain the factors that impact the orientation of labor relations systems as well as the factors and conditions that influence labor relations reform in Latin America. In particular, the institutional and political factors that shape the environment of labor relations can be studied to identify changes in the institutional and political legacies that have traditionally influenced labor relations in the region. Additionally, the power-distributional approach provides a theoretical justification for the combination of *de jure* and *de facto* conceptualizations of labor relations because it reveals the multiplicity of institutional change types, which go beyond just legislative reforms.

Operationalizing Labor Relations

The orientation of labor relations systems in Latin America is commonly operationalized by codifying national labor law changes and by measuring the level of labor protection/employment rigidity. Data on labor reforms is largely based on legislated changes to national labor codes. Many scholars transform changes in labor legislation into labor reform scores that enable quantitative analysis (based on protective or flexible reforms) (see Murillo and Schrank 2005; Murillo et al. 2011). Other scholars use indices of employment rigidity such as the rigidity of employment index of the World Bank's Doing Business report (Alemán 2014). The rigidity of employment index measures the level of protection afforded in national labor codes by combining data on hiring costs, working hours and redundancy costs. Indices of employment rigidity, like the rigidity of employment index, are heavily based on the employment laws index created by Botero et al. (2004).

Following the established empirical literature, I employ the World Bank's rigidity of employment index as my *de jure* indicator for EPL. The rigidity of employment index is a reliable indicator of *de jure* EPL because it represents a largely transparent and systematic approach to the cross-country measurement of labor relations. Unlike scholars that individually examine labor laws to determine whether reforms occurred, the rigidity of employment index provides a standardized approach to quantifying both the orientation of labor relations and the degree to which labor relations systems change. The latter is particularly important in assessing the effect that explanatory factors have in the degree of labor relations protections.

I operationalize de facto labor relations by employing survey-based indicators for EPL and collective bargaining centralization from the World Economic Forum's Global Competitiveness report (WEF). The WEF's annual survey serves as a proxy for de facto labor institutions because it reveals the level of labor protections, or flexibility, that senior business executives within the labor relations system perceive (Feldmann 2009). While the only application of the WEF survey indicators as de facto labor relations indicators has been to assess the impact of labor regulations on employment outcomes (Feldmann 2009), I contend that the WEF survey-based indicators can effectively measure de facto labor relations change.

The WEF survey is an aggregation of survey responses from business managers who are likely to consider the issues of institutional ambiguity, enforcement, and compliance in their answers. This means that the WEF survey encapsulates a dynamic view of labor relations and labor relations institutions that reflect the de facto orientation of labor relations systems. Additionally, because the survey is conducted annually, these indicators enable the observation and measurement of year-to-year changes in country levels of labor relations protections. Furthermore, Feldmann (2009) argues that the WEF indicators appropriately reflect de facto labor relations institutions because: 1) the survey uses a large representative sample of individuals with practical experience with labor regulations in their country; 2) survey questions are phrased objectively and respondents are provided with an explanation of the answering scale; and 3) survey responses reflect the likely the impact of labor regulations.

However, the WEF survey is not without limitations. Firstly, the WEF survey is based exclusively on business managers' perspectives about the extent of labor relations

protections. This means that the use of the WEF survey as a de facto indicator of labor relations is complicated by the fact that the only respondents to the survey are business managers, while workers, union leaders, and government officials are excluded. As a result, it can be argued that the WEF survey may not entirely capture the orientation associated with the actual practice of labor relations because only one of the multitude of perspectives on labor relations are incorporated. Nonetheless, this limitation must be accepted because there is no other cross-country, multi-year alternative measure of de facto labor relations available.

Additionally, the WEF survey is likely limited by 1) the inability to distinguish between different forms of collective bargaining centralization, i.e., firm, industry and national; 2) the potential of respondents to gauge labor relations differently; and 3) the possibility of a national-level systematic bias due to international differences in the interpretation and/or perception of concepts (Feldmann 2009). Feldmann (2009) resolves the concern for the possible presence of perception bias through a comparison of the WEF's EPL and collective bargaining centralization indicators with the OECD's EPL and wage bargaining centralization measures.

Notwithstanding these criticisms, I employ two indicators from the WEF survey to measure de facto labor relations in Latin America. First, the WEF survey measures hiring and firing regulations by asking business executives if the hiring and firing of workers is impeded by regulations or flexibly determined by employers, respectively scored with a value from one to seven. Generally, the regulations associated with the hiring and firing of workers are two of the main components of EPL (Alemán 2014; Murillo et al. 2011; Vandenberg 2010). Therefore, the hiring and firing regulations measures of the WEF

survey are indicative of the individual labor protections afforded to most workers, albeit less so for informal workers. Second, the centralization of collective bargaining indicator asks business executives if wages are set by a centralized bargaining process or by each individual company, respectively scored with a value from one to seven. The centralization of collective bargaining reveals the capacity of labor unions to engage effectively in collective bargaining and better represent workers in the policymaking process. Therefore, the EPL indicator measures the broader welfare of individual workers while the centralization of collective bargaining indicator gauges the wellbeing of unions and the general labor movement (Murillo and Schrank 2005; Cook and Bazler 2013). Together, these two indicators provide a full picture of the existent orientation of labor relations by addressing the labor protections, or lack thereof, afforded, to individual workers and unions.

The explanatory factors explored in this dissertation reflect the main factors believed to influence labor relations systems and allow for analysis into how political, institutional, and structural conditions impact the orientation of labor relations and the likelihood of labor relations reform. The political context is measured by using a modified version of the indicator for chief executive party orientation from the Varieties of Democracy Project (V-Dem) (V-Dem 2016). The V-Dem indicator of executive ideologies is the most extensive and transparent data set available. The V-Dem project is based on the development of new indicators of democracy for all countries with lengthy historical coverage. The V-Dem data set was made public on January 2016. The V-Dem indicator for chief executive party orientation categorizes presidents into right, center, or left types. I modify these categories to right, center-right, center-left, and left types to eliminate a

seemingly policy neutral categorization of executive ideology. This means that the four presidential administrations coded as center during a total of 13 year observations were recoded as either center-right or center-left depending on secondary sources. Executive ideology is the main explanatory factor used to explain the orientation of labor relations systems and patterns of labor relations reform in Latin America (see Alemán 2014; Murillo et al. 2011).

Additionally, I include measures of foreign direct investment (FDI) and trade, as a percentage of GDP, as proxies for foreign pressures impacting the domestic political context. Ronconi (2012) and Burgess (2010) suggest that governments are pressured by foreign forces to either increase or decrease labor protections. Furthermore, Ronconi (2012) argues that governments respond to foreign pressures by either pursuing labor law reform or by impacting the enforcement of and compliance with existing labor laws. Therefore, the foreign forces impacting de facto labor relations institutions must be considered as part of this more dynamic view of labor relations institutions. Net FDI inflows as a percentage of gross domestic product (GDP) indicate the relative influence of multinational corporations (MNCs). MNCs may prefer stronger de facto labor protections when their local competitors tend to pursue noncompliance with existing labor laws (Ronconi 2012). Alternatively, they prefer weaker de facto labor protections when their local suppliers pursue noncompliance so that supply costs remain low. Trade indicates the level of trade openness and competitiveness, whether the trade regime is relatively open or closed. The latter has profound impacts on the ability of unions to form transnational-alliances (Murillo and Schrank 2005) and on the capacity of governments to secure free trade agreements (Ronconi 2012). The inclusion of these two indicators coupled with the

measure on executive ideology provide a comprehensive picture of the political context surrounding labor relations systems.

The institutional context is measured by employing indicators that encompass current institutional context as well as institutional legacies. First, I employ the party linkages indicator from V-Dem. This indicator measures the main or most common type of linkage between major parties and their constituents as measured on a scale from clientelistic to programmatic. The party-constituent linkage is indicative of the rewards political parties offer constituents in exchange for political support. In clientelistic party linkages, parties tend to reward political support by offering material goods, jobs, and/or money while in programmatic party linkages parties reward political support by pursuing policies and programs supported by constituents (Pemstein et al. 2010). Second, I use the civil society organizations repression indicator from V-Dem that measures the level of repression that unions and other civil society organizations experience at the hand of the government. This indicator, which I term union repression, reveals whether unions have a privileged or disadvantaged position in politics. Furthermore, current levels of union repression largely reflect the historical legacies associated with the incorporation of unions during the 20th century (Murillo and Schrank 2005; Burgess 2010; Cook 2007). Union repression is measured on a scale from severe to no union repression.

Lastly, I include measures of the structural context: the economic and political conditions that represent material constraints and opportunities. The structural context is encompassed in the economic measures of GDP per capita, the inflation rate, the unemployment rate, the level of electoral democracy, and the extent of the rule of law. I use GDP per capita to measure average income differences across countries. The inflation

rate and unemployment rate reveal the pressing economic conditions influencing the labor relations system. Electoral democracy and rule of law indicate whether the political system is responsive to voters and if laws are broadly and predictably enforced. The measures of GDP per capita, the inflation rate, and the unemployment rate are from the World Bank's World Development Indicators database and the indicators for electoral democracy and rule of law are from V-Dem. The inclusion of structural indicators is consistent with the analysis of labor relations reform in Latin America (Murillo and Schrank 2005) as well as with the empirical literature on the relationship between labor regulations and labor market outcomes (Vandenberg 2010).

A description of all variables used in this dissertation are presented in Table 4 and descriptive statistics are available in Table 5. Table 5 shows that average country scores for the de facto EPL measure – hiring and firing regulations – were considerably higher than the de jure EPL measure, the rigidity of employment index. However, the average scores associated with de facto centralized collective bargaining are lower relative to EPL scores, de facto and de jure. Additionally, the average de facto labor relations change was positive while the average de jure EPL change was negative. This means that de facto changes were generally protective while de jure EPL changes were flexible in nature.

Furthermore, it is important to note that on average, executive ideologies were more right-leaning than left between the 2000 and 2012. The majority of executives during this period were right-of-center because the electoral success of left-leaning executives in the region was gradual in nature. During this period, party-constituent relations were generally clientelistic and union repression levels were low. Additionally, the average level of democracy and the extent of the rule of law was relatively high.

Table 4: Data Variables and Descriptions		
Variable	Description	Source
Labor regulations		
Rigidity of employment index	Rigidity of employment index (scale 0 to 10, less to more rigidity)	World Bank Doing Business Report
Hiring and firing regulations	The hiring and firing of workers is flexibly determined by employers or impeded by regulations (scale 0 to 10)	World Economic Forum's Global Competitiveness Report
Centralized collective bargaining	Wages are set by each individual company or by a centralized bargaining process (scale 0 to 10)	World Economic Forum's Global Competitiveness Report
Political context		
Executive ideology	Category of chief executive party orientation (right, center-right, center-left, or left types)	Varieties of Democracy Project (V-Dem)
Foreign direct investment	Net FDI inflows as a percentage of gross domestic product (GDP) (%)	World Bank World Development Indicators
Trade	Trade (% of GDP)	World Bank World Development Indicators
Institutional context		
Party linkages	Main or most common type of linkage between major parties and their constituents (scale from clientelistic to programmatic)	Varieties of Democracy Project (V-Dem)
Union repression	Level of government repression of civil society organizations (high to low repression)	Varieties of Democracy Project (V-Dem)
Control variables		
GDP per capita	Gross domestic product (GDP) per capita (constant 2005 US\$)	World Bank World Development Indicators
Inflation	Inflation, consumer prices (annual %)	World Bank World Development Indicators
Unemployment rate	Unemployment, total (% of total labor force)	World Bank World Development Indicators
Electoral democracy	Extent that the ideal of electoral democracy is achieved (less to more democratic)	Varieties of Democracy Project (V-Dem)
Rule of law	Transparency and predictability of the laws of the land (low to high)	Varieties of Democracy Project (V-Dem)

Note: Data from the World Economic Forum's Global Competitiveness Report, the World Bank Doing Business Report, and the World Bank World Development Indicators was sourced from Gwartney et al. (2016).

Table 5: Descriptive Statistics					
Variable	Observations	Mean	Standard Deviation	Min	Max
Labor Regulations					
Rigidity of employment index	221	4.90	1.38	1.69	7.70
Hiring and firing regulations	221	6.01	1.19	2.80	9.00
Centralized collective bargaining	221	3.83	1.39	1.15	7.98
Rigidity of employment index change	204	-0.10	0.69	-4.72	2.14
Hiring and firing regulations change	204	0.07	0.81	-2.17	2.92
Centralized collective bargaining change	204	0.03	0.57	-2.15	3.15
Political Context					
Executive ideology	221	0.45	0.48	0.00	1.00
Foreign direct investment	221	3.59%	2.65	-2.50%	17.13%
Trade	221	68.14%	31.33	21.85%	158.35%
Institutional Context					
Party linkages	221	0.29	0.85	-1.33	1.72
Union repression	221	3.31	0.59	1.38	3.94
Control Variables					
GDP per capita	221	\$4,027.68	\$2,245.31	\$981.52	\$9,477.93
Inflation	221	7.53%	8.36	-1.07%	96.09%
Unemployment rate	221	7.14%	3.33	1.30%	18.30%
Electoral democracy	221	0.71	0.14	0.45	0.93
Rule of law	221	2.51	0.71	0.96	3.81

Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Methodology

The methodological approach in this dissertation represents the state of the art in the empirical study of labor reforms in Latin America. I employ a mixed-methods approach

and present two panel data models and one fuzzy set Qualitative Comparative Analysis (fsQCA) model as well as analytic narratives to explain the decline in labor relations reform in Latin America between 2000 and 2012. In particular, I explain the relationship between political, institutional, and structural conditions and the orientation of labor relations and the likelihood of labor relations reform. The first panel data model tests whether executive ideology and other factors influence the orientation of labor regulations. The second panel tests the factors that increase the likelihood of labor regulations reform. The fsQCA model tests the necessary and sufficient conditions for protective labor regulations reform using a calibrated version of the panel data set. Lastly, analytic narratives provide stylized facts of empirical findings.

Statistical Models

My theoretical and methodological approach are operationalized into three models that test a total of five hypotheses to address the impacts of political and institutional factors on labor relations and explain the decline in labor relations reform in Latin America between 2000 and 2012. Statistical models will use my individually developed data set consisting of 221 observations, $n=221$, based on data from 17 countries in Latin America across 13 years (2000-2012).³ My data set is a compilation of labor relations data from the World Bank and WEF; political, institutional, and control variables from V-Dem; and political and control variables from the World Bank's World Development Indicators.

First, model 1 is a panel data model with random effects testing the relationship between executive ideology of individual country years and the orientation of labor

³ The countries studied are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

relations while considering political, institutional, and control factors. Model 1 will be applied to a dependent variable of de jure EPL, a dependent variable of de facto EPL, and a dependent variable of de facto collective bargaining centralization in order to understand how political and institutional factors impact the orientation of distinct dimensions of labor relations. Random effects are considered because unrelated effects need to be accounted for due to differences across countries that likely have some influence over labor relations.

Model 1

$$\begin{aligned}
 & \textit{orientation of labor relations}_{it} \\
 & = \alpha + \beta_1 \textit{Executiveldeology}_{it} + \beta_2 \textit{FDI}_{it} + \beta_3 \textit{Trade}_{it} \\
 & + \beta_4 \textit{PartyLinkages}_{it} + \beta_5 \textit{UnionRepression}_{it} + \beta_6 \textit{GDPpercapita}_{it} \\
 & + \beta_7 \textit{Inflation}_{it} + \beta_8 \textit{UnemploymentRate}_{it} \\
 & + \beta_9 \textit{ElectoralDemocracy}_{it} + \beta_{10} \textit{RuleOfLaw}_{it} + u_i + \varepsilon_{it}
 \end{aligned}$$

Model 1 will test H_1 by assessing the impact of executives with leftist ideologies on the orientation of labor relations while considering the political, institutional, and structural context. The relationship between executives with leftist ideologies and protective labor relations has been extensively documented in the literature (Alemán 2014; Murillo 2005) The political context is operationalized by FDI and trade, which represent political pressures for reform. The institutional context is based on the party linkages, the most common type of linkage between major parties and their constituents, and the level of union repression. The structural context is controlled for by: GDP per capita, inflation, unemployment rate, level of electoral democracy, and the extent of the rule of law (see Ronconi 2012; Murillo and Schrank 2005).

Panel data consist of observations of numerous cross-sectional units over multiple periods of time, such as the aggregated data of countries. Panel data analysis accounts and

controls for possibly correlated, time-invariant heterogeneity by identifying and measuring effects that are not observable. In doing so, panel data analysis assumes: the model is linear (linearity); independence of observations across individuals (independence:); and the idiosyncratic error term is uncorrelated with the individual specific effect of explanatory variables (strict exogeneity). This approach enables the study of dynamic relationships and the modeling of heterogeneity among subjects. As a result, panel data estimators consistently estimate the effect of the observed explanatory variables on the dependent variable even when unobserved variables are omitted.

The random effects approach to panel analysis further assumes: the individual-specific effect is a random variable that is uncorrelated with the explanatory variables across time periods for the same individual (unrelated effects); variance of the individual specific effect is constant (effect variance); and regressors are not perfectly collinear (identifiability). Unlike the fixed effects approach, the variation across cross-sectional units is assumed to be random and uncorrelated with the explanatory variables included in the model. The random effects approach allows for the inclusion of invariant variables (e.g. geography) and for the presence of both within- and between-group variations in estimators.

Hausman tests indicate that the random effects approach is more appropriate than the fixed effects approach for some models but not others, p-value is not significant, because the assumption of unrelated effects holds true. The null hypothesis that unique errors are not correlated with the regressors in my model is not rejected. However, results from the Hausman test are not robust because of the presence of heteroscedasticity in my models. Additionally, the Breusch-Pagan Lagrange multiplier (LM) test confirms my use

of the random effects approach. The LM test concludes that a pooled OLS regression is inappropriate for my models because the null hypothesis that variances across states is zero is rejected, p-value is significant. This means that there is significant difference across cross-sectional units and therefore indicates a panel effect. I do not test for serial correlation because serial correlation is only a problem for macro panels with many time series. My panel data set is a micro panel, a few years and large number of cases: 13 years and 17 countries.

Second, Model 2 is a panel data model with a logit specification testing H_2 , H_3 , H_4 , and H_5 by examining the effects that executive ideology, FDI, trade, party linkages, and union repression have on the presence and direction of labor relations reform while controlling for structural factors. The main explanatory variables tested are derived from the empirical literature: 1) executive ideology (see Murillo et al. 2011; Alemán 2014); 2) the levels of FDI and trade (see Ronconi 2012); 3) the types of party-constituent linkages (see Burgess 2010; Murillo and Schrank 2005; Cook 2007); and 4) the levels of union repression (see Murillo and Schrank 2005; Cook 2007).

Model 2

$$labor\ relations\ reform_{i,t} = \frac{1}{1 + e^{-(\beta_1 ExecutiveIdeology_{i,t} + \beta_2 FDI_{i,t} + \beta_3 Trade_{i,t} + \beta_4 PartyLinkages_{i,t} + \beta_5 UnionRepression_{i,t} + \beta_6 GDPpercapita_{i,t} + \beta_7 Inflation_{i,t} + \beta_8 UnemploymentRate_{i,t} + \beta_9 ElectoralDemocracy_{i,t} + \beta_{10} RuleOfLaw_{i,t} + k_{t-t_0})}}$$

Model 2 represents a time-series-cross-section analysis with a binary dependent variable (BTSCS) that employs time-dummy variables to account for temporal dependence in observations over time (see Beck et al. 1998). According to Beck et al. (1998: 1265),

BTSCS data are equivalent to grouped event history or discrete time duration data because they are based on a continuous time event history model where discrete intervals involve only one possible. This model is appropriate for the study of Latin American labor relations reform countries can experience flexible labor relations reform, protective reform, or no labor relations reform but only one reform possibility is available for each given country year. By recoding the continuous labor reform variables into binary variables, whether reform existed (one) or not (zero), I test how the explanatory factors derived from the empirical literature increase the odds of the occurrence of Latin American labor relations reform, protective or flexible, between 2000 and 2012. As such, I employ Model 2 to test the presence or non-presence of the following binary outcomes: reform, protective reform, and flexible reform. It should be noted that event history models have been previously applied to the study of Latin American labor relations reform (see Murillo and Schrank 2005).

Lastly, Model 3 employs the fsQCA methodological approach, the analysis of causal complexity through a focus on the configurations of set memberships instead of a focus on explanatory variables (Ragin 2008). The underlying rationale for fsQCA is that by analyzing cases that exhibit the same outcome, it is possible to identify cases that share a specific configuration of causally relevant conditions. Furthermore, it is possible that different sets of conditions may lead to the same outcome. As a result, fsQCA identifies the multiplicity of paths that lead to a given outcome, the concept of conjunctural causation, instead of focusing on the variables that lead to specified outcomes. Conversely, variable-based approaches, like regression analysis, disaggregate cases in order to measure the influence of separate independent variables on the dependent variable.

Model 3

*ExecutiveIdeology + FDI + Trade + PartyLinkages + UnionRepression
+ ElectoralDemocracy → Labor Relations Reform*

In the context of Latin American labor relations, fsQCA provides a methodological approach to compare the institutional and political configurations of countries. When applying fsQCA to the study of labor relations reform, a country is a case with a specific set of institutions (i.e., an institutional configuration) and multiple cases can be compared to determine if any institutional configurations lead to labor relations reform. That is to say, countries that share a specified outcome, like the presence of labor relations reform, may exhibit patterned similarities in their institutional and political conditions.

The fsQCA model provides consistency scores that indicate the degree to which the cases sharing a given combination of conditions agree in displaying the specified outcome. That is, consistency indicates how closely a configuration of conditions is linked to a given outcome. Ragin (2008) refers to this concept as the approximation of a subset relation. Additionally, coverage scores from the fsQCA model denote the degree to which a condition, or configuration of conditions, is representative of all cases with the specified outcome. Coverage scores assess how empirically relevant a condition, or configuration of conditions, are to the outcome being studied. Coverage scores tend to be lower when a multiplicity of paths that lead to a given outcome are present as a given causal combination may be less representative of all cases with the specified outcome. Conversely, coverage scores tend to be higher when the number of available paths to a given outcome are low.

Consistency and coverage scores allow scholars to determine when conditions, or configuration of conditions, are necessary or sufficient for a specified outcome. Necessary conditions are the conditions found in cases with the specified outcome, where the outcome set is a subset of the necessary condition set (Ragin 2008). It is important to note that necessary conditions are not assumed to be solely responsible for a specified outcome. Similarly, sufficient conditions are the conditions “always lead to the given outcome” and “several alternative sufficient conditions may co-exist” (Skarmeas et al. 2014: 1799). A sufficient condition set is said to be a subset of the outcome set (Ragin 2008).

A causal condition is thought to be a necessary condition if the consistency threshold is ≥ 0.9 . Similarly, a causal condition is considered a sufficient condition if the consistency threshold is ≥ 0.75 (Ragin 2009: 118; Schneider and Wagemann 2012: 128). However, the consistency thresholds may be adjusted to better reflect the empirical subject being studied (Ragin 2008: 144). Unlike variable-based approaches that assume linear causation and estimate the average effect of an explanatory variable after controlling for all other variables, fsQCA assumes that specified outcomes necessitate the presence of at least particular condition, or configuration of conditions (Braumoeller and Goertz 2000). High consistency scores are required to substantiate hypothesized subset relations. The meaningfulness of conditions found to be necessary or sufficient is based on the evaluation of coverage scores. While the fsQCA model identifies the different conditions linked to a specified outcome, the importance of that link is ultimately based on whether the link is representative of a broader trend or not. In correlational analysis it is possible to have a statistically significant variable that is weakly correlated with the dependent variable. Similarly, in fsQCA, it is conceivable that a set relation with a high consistency score

exhibit a low coverage score (Ragin 2008). In this regard, scholars must employ substantive and theoretical knowledge of the phenomenon being studied to determine whether a given coverage score for conditions with high consistency scores is empirically important.

fsQCA analysis necessitates that data be calibrated into fuzzy-set scores. This entails using fuzzy set-theoretic reasoning to create a gradient in degree of membership for causal conditions (explanatory variables) and for the specified outcome. Researchers must use substantive and theoretical knowledge to create qualitative anchors that calibrate data into fuzzy-set scores ranging from 0.0 (nonmembership) and 1.0 (full membership), with 0.5 serving as the point of maximum ambiguity where a case is neither in nor out of the set. Additionally, the rationale of these qualitative anchors should be explicit (Basurto and Speer 2012). This requires researchers to transform empirical data into set membership scores by creating breakpoints indicating the threshold of full non-membership (0.05), the crossover point of maximum membership ambiguity (0.50), and the threshold of full membership (0.95) for each causal condition as well as the specified outcome. I calibrated continuous and scale variables into continuous fuzzy-set scores through the direct calibration approach of the fsQCA 2.0 software (calibration details are elaborated in Appendix 1).

Fuzzy-set scores address Bart Kosko's (1993: 8) mismatch problem: "the world is gray but science is black and white." Social and economic phenomena in the real world is not dichotomous but full of "gray" areas where empirical cases approximate analytical constructs or typologies. Therefore, fuzzy-set scores allow scholars to operationalize the degrees to which different cases might approximate a specified condition or outcome. This is in large contrast to the ranking of categories involved in the creation of ordinal scales.

That is to say, ordinal scales rank cases relative to each other while the calibration of data into fuzzy-set scores is based on the assessment of how a given case approximates a well-defined set informed by theoretical and substantive knowledge. As a result, fuzzy-set scores close to 1.0 indicate that cases approximate full membership in a set without actually being completely in the set. Conversely, scores below 0.5 suggests that cases are more out of a set than in, but retain membership in the set as long as the score is greater than zero, the score of full non-membership. The use of fuzzy-set scores in the fsQCA methodological approach combines qualitative and quantitative insights as the model's algorithm is based on the fuzzy-set mathematical systems theorized by Zadeh (1965) but the calibration of fuzzy-set scores are largely qualitative anchors.

fsQCA is valuable to the empirical study of Latin American labor relations because it enables the analysis of conjunctural causation and the identification of trends in the conditions that cause labor relations reform. However, fsQCA is limited by its inability to calculate the relative impact of a given institutional or political condition on a specified outcome. This is in large contrast to variable-based approaches, like regression analysis, that estimate the average effect that a given explanatory variable has on the dependent variable (Skarmeas et al. 2014). Furthermore, the effectiveness of the fsQCA model is limited by its dependency on researchers to appropriately calibrate data into fuzzy-set scores and to assess the importance of coverage scores. These limitations are considerable but maybe overcome as consensus builds around how to best assess fsQCA data and scores in specific fields of research. Given the ability of the fsQCA model to examine the political and institutional contextual nuances of each country studied in this dissertation I argue that

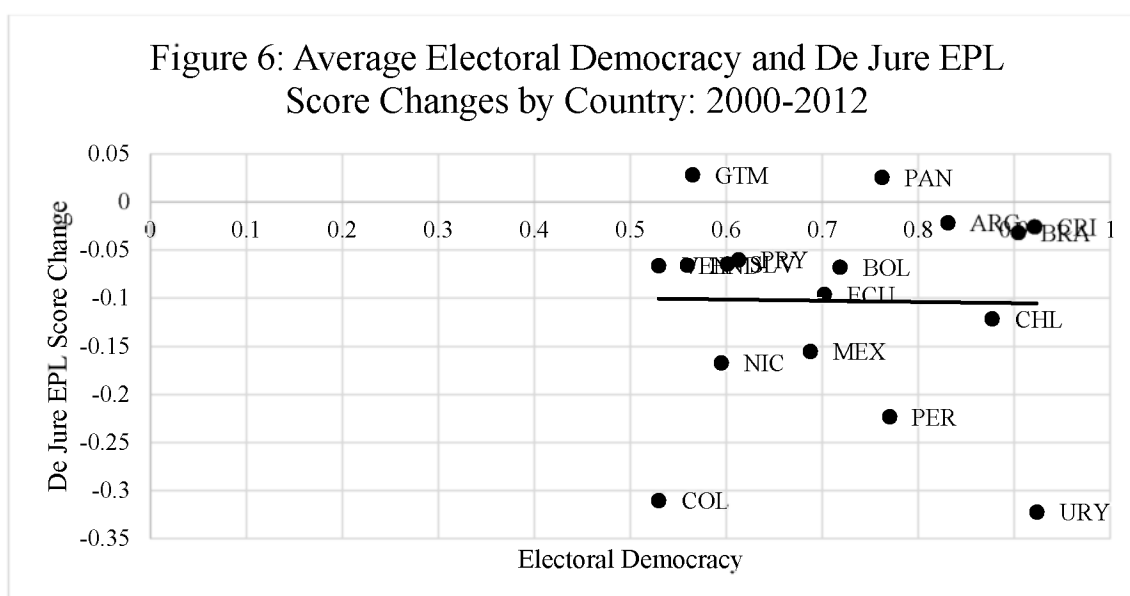
it is an effective methodological approach, like panel analysis, to analyze the political and institutional factors that influence labor relations reform in Latin America.

Analytic Narratives

Analytic narrative is the final component of my methodological approach to explaining the decline in labor relations reform in Latin America between 2000 and 2012. Analytic narratives are historical case studies that enable the construction of stylized facts based on empirical findings (Bates et al. 1998). The latter is accomplished by using thick description to connect the characteristics of a given case with the observed outcomes and assess the validity of competing claims explaining the observed empirical relationship. The strategies and goals of key actors encompassed in the case studied are of primary importance in explaining causal relationships (Levi 2003). However, because institutional contexts are critical in shaping actors' goals and strategies, analytic narratives emphasize the importance of the political and institutional environment (Bates et al. 1998). Analytic narratives contribute to the understanding and interpretation of statistical analysis by exploring the variation that selected cases experience across time to develop a causal story that is elusive when simply using statistical analysis.

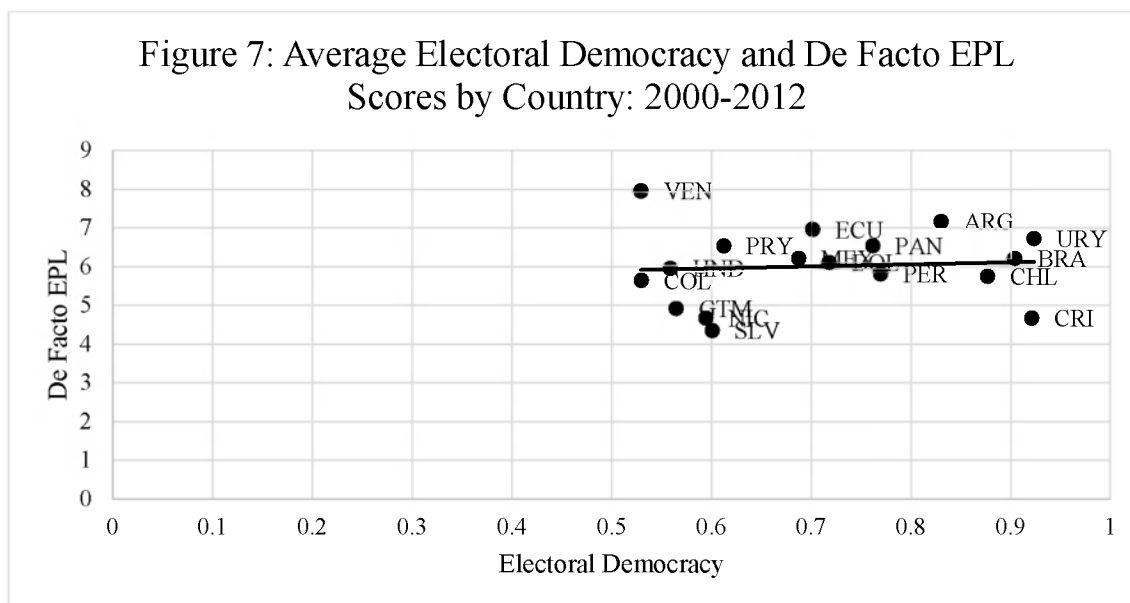
I employ analytic narratives in order to provide a rich description of the political and institutional conditions, specifically electoral democracy, that have led to the decline in Latin America labor relations reform between 2000 and 2012. My statistical models found electoral democracy to be the main determinant of EPL reform in Latin America during the period studied. I construct narrative for the cases of Brazil and Chile because they are representative cases of the importance that increasing electoral democracy has had on both de facto and de jure labor relations during the period analyzed. Chile is a

representative case of the broader trend in Latin America where electoral democracy increased the likelihood of de jure EPL reform, but reforms were modest and oriented toward flexibility despite the presence of a left-leaning executive. Chile has the second-lowest residuals when testing the relationship between average de jure EPL changes and electoral democracy between 2000 and 2012 (see Figure 6). This means that the actual EPL score change and electoral democracy scores observed in Chile are very similar to the predicted values obtained from a bivariate linear regression.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Conversely, Brazil is typical of countries where electoral democracy had a strong impact in orienting labor relations towards protectionism but where protective EPL reforms impacted the practice of labor relations and not the labor code. Brazil has the second-lowest residuals when testing the relationship between average de facto EPL scores and electoral democracy between 2000 and 2012 through a bivariate linear regression (see Figure 7).



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

According to Seawright and Gerring (2008: 299), case selection through the use of residuals is a rigorous case selection technique when performing large-N analysis. Only Honduras and Ecuador have smaller residuals than Brazil and Chile, respectively, but I chose to conduct analytic narratives on Brazil and Chile instead because the historical record associated with labor relations reform in these countries is more robust and available relative to Honduras and Ecuador. The difference in residuals of the cases selected relative to those forgone is modest and Brazil and Chile can confidently be considered representative or typical cases of the broader experience of countries in Latin America with EPL reform and electoral democracy.

Conclusion

My theoretical framework and mixed-methods approach collectively provide a comprehensive approach to explaining the decline in labor relations reform in Latin America between 2000 and 2012. First, by combining the de jure and de facto

conceptualizations of labor relations I can examine if changes in political and institutional conditions have led to both declines in de jure and de facto labor reforms. Given the statistical independence of de jure and de facto labor relations indicators, it is important to determine whether change actors have been successful in achieving de facto labor changes and not de jure changes. This finding would reveal whether changes in labor enforcement and/or compliance are more common than legislative changes and if the orientation of labor relations change varies by change type.

Second, I contend that the power-distributional approach provides a theoretical justification for the empirical study of both de jure and de facto labor relations and for focusing on political and institutional conditions when explaining labor relations reform. This means that some types of institutional changes involve the replacement of amending of institutions, as can happen with legislated reforms, while other types of institutional change may be more subtle and gradual, as with alterations in the enforcement and compliance of existent labor laws. The power-distributional approach – and the institutional change model – suggest that different types of institutional change are possible and that political and institutional conditions largely influence the likelihood that certain types of institutional change take place. Political and institutional conditions are important to institutional change because they structure power relationships and level of discretion that actors are afforded when determining the level of institutional compliance they wish to pursue.

Lastly, my mixed-methods approach based on panel data and fuzzy set statistical models and analytical narratives represents a rigorous and comprehensive approach to the empirical study of labor relations reform in Latin America as well as the state of the art in

social science methods. First, the statistical models operationalize de jure and de facto labor relations using reliable and transparent indicators from the World Bank and the World Economic Forum. The availability of annual level data across 17 Latin American countries for the period between 2000 and 2012 enables the creation of a large-N data set, $n=221$, that can undergo statistical tests to assess the effects of political and institutional conditions on labor relations reform. This data set is in itself a contribution to the field of Latin American labor relations because most of the empirical research is based on small-n studies (see Cook 2007; Murillo and Schrank 2005). Second, the analytic narratives of Brazil and Chile provide rich descriptions and stylized accounts of the broader empirical findings associated with the decline in labor relations reform in Latin America between 2000 and 2012. Analytic narratives complement the statistical models by employing historical accounts to develop causal arguments about the political and institutional factors that contributed to the decline in labor relations reform in Latin America.

Chapter 4

Comparative Case Study

In this chapter, I present the findings of my comparative study explaining the decline in labor relations reform in Latin America between 2000 and 2012, based on panel data and fuzzy set statistical analysis and analytic narratives. First, I interpret the findings of my three statistical models assessing the factors that impact the orientation of labor relations, the likelihood of labor reform, and the necessary and sufficient factors for labor reform in Latin America. Second, I provide historical narratives of Brazil and Chile in order present stylized facts about the causal mechanisms underlying labor reform trends in Latin America. Lastly, I discuss the significance of my comparative study findings.

Labor Relations Orientation

Model 1 tests H_1 , whether executives with leftist ideologies favor protective labor relations while considering the political, institutional, and structural context. This model seeks to identify the factors that predispose Latin American countries to exhibit more or less protective labor relations. Model 1 was applied to de jure and de facto EPL indicators, and to a de facto centralized collective bargaining measure. Evidence of statistically significant explanatory variables suggest that these conditions exert considerable influence on the orientation of labor relations institutions. Therefore, this model will provide evidence of the main forces shaping labor relations in Latin America between 2000 and 2012

A random effects model was implemented for Model 1 because unrelated effects need to be accounted for due to differences across countries that likely have some influence

over labor relations. Due to the presence of heteroscedasticity, based on the Breusch-Pagan test, findings from the Hausman test that suggest a fixed effects model is more appropriate are unreliable. Furthermore, the Lagrange multiplier test confirms the use of a random effects model over a pooled OLS approach.

Table 6 shows that Model 1 explains a medium percentage of variance in the de jure and de facto EPL as well as de facto centralized collective bargaining in Latin America between 2000 and 2012, according to adjusted R^2 values. Additionally, Model 1 is statistically significant for each dimension of labor relations analyzed, based on a statistically significant F-test, $p < 0.01$. Numerous statistically significant regression coefficients were observed. Table 6 displays the coefficients and cluster-robust Huber/White standard errors for a panel regression with random effects for Model 1. Additionally, I present the coefficients obtained by employing a fixed-effects model in Appendix 2.

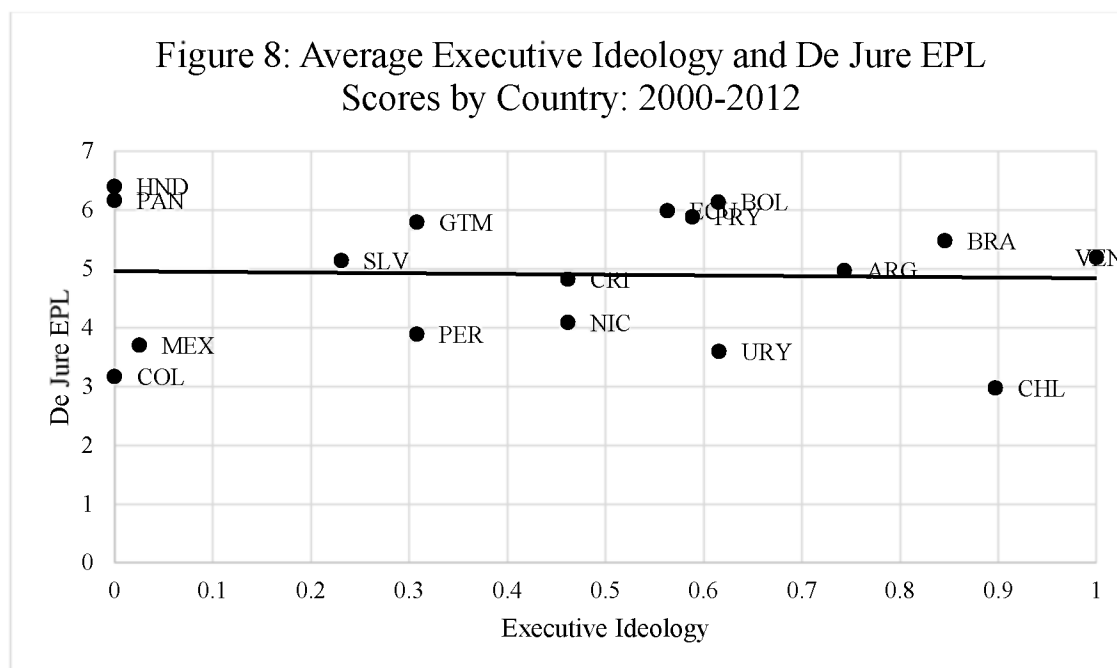
Executive ideology has a moderate negative effect on de jure EPL and a moderate positive effect on de facto collective bargaining. This finding means that left-leaning executives favor flexible de jure EPL and centralized de facto collective bargaining. Importantly, executive ideology is the main factor explaining the orientation of de jure EPL and de facto collective bargaining. First, the negative relationship between executive ideology and de jure EPL runs against the empirical research on Latin American labor relations linking leftist executive ideologies with protective labor relations, especially EPL (see Alemán 2014; Murillo et al. 2011). This finding suggests that Latin American countries with left-leaning executives in did not decisively break with the flexible EPL policies of the right-leaning executives that preceded them. It is likely that left-leaning

executives in the 2000s either lacked the capacity or the will to undo the commodification of individual labor relations that Latin American countries experienced during the 1980s and 1990s.

Table 6: Model 1 - Do leftist executives favor protective labor relations in Latin America? (2000-2012)			
Panel Regression with Random Effects: Coefficients and Standard Errors (n=221)			
Variable	De jure EPL	De facto EPL	De facto collective bargaining
Executive ideology	-0.316* (0.211)	0.213 (0.155)	0.501*** (0.484)
FDI	-0.049 (0.034)	-0.117*** (0.039)	-0.027 (0.062)
Trade	0.003 (0.007)	0.007* (0.004)	0.005 (0.005)
Party linkages	-0.039 (0.247)	-0.504*** (0.131)	-0.201 (0.155)
Union repression	0.331 (0.314)	-0.651** (0.397)	-0.040 (0.237)
GDP per capita	-0.0002*** (0.000)	0.0001* (0.000)	0.0003*** (0.000)
Inflation	0.002 (0.007)	0.007 (0.008)	0.020** (0.003)
Unemployment rate	0.040 (0.036)	0.073*** (0.026)	0.027 (0.045)
Electoral democracy	-1.298 (2.385)	3.959*** (2.181)	-2.234 (2.223)
Rule of law	0.089 (0.203)	0.025 (0.264)	0.294 (0.335)
Constant	5.299*** (1.201)	4.216*** (1.144)	2.937*** (1.365)
Observations	221	221	221
R2	0.150	0.179	0.160
Adjusted R2	0.143	0.170	0.152
F Statistic	3.711*** (df = 10; 210)	4.589*** (df = 10; 210)	3.987*** (df = 10; 210)

Notes: *p<0.1; **p<0.05; ***p<0.01. Cluster-robust Huber/White standard errors are reported.

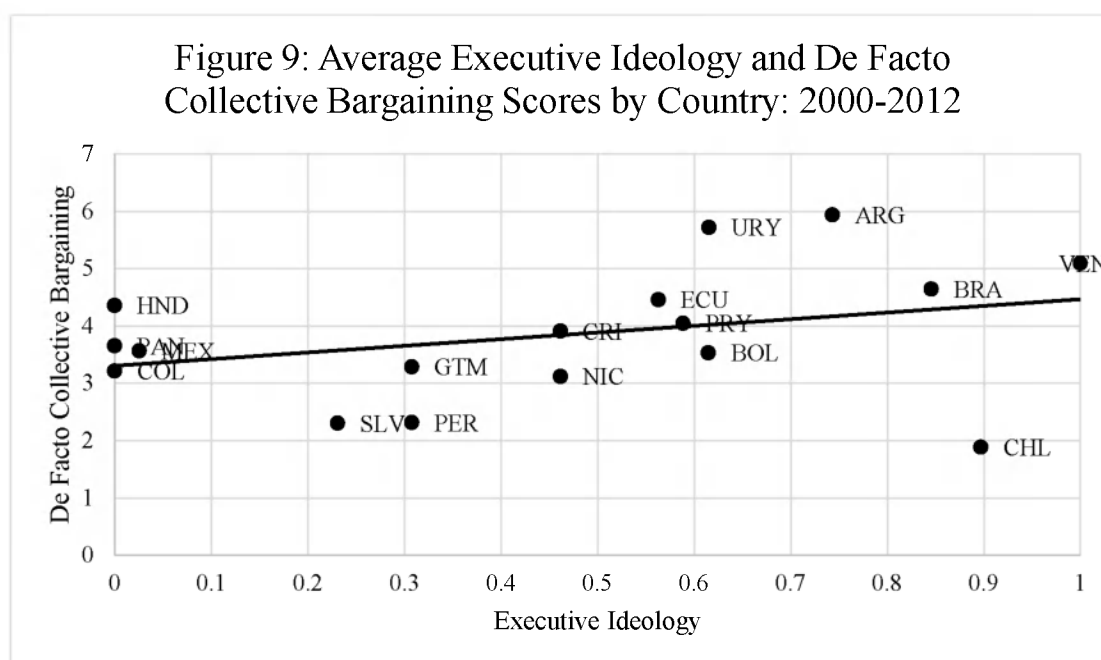
The negative relationship between left-leaning executives and de jure EPL is most evident in Chile's labor relations. Chile's labor relations were heavily commodified and individual labor protections were limited during the military regime of General Augusto Pinochet (1973-1990) (Alemán 2010: 116). However, the left-of-center Concertación governments, which governed between 1990 and 2010, did not intervene and shift EPL policies toward protectionism because they lacked the will to pursue transformative labor relations reforms (see Barrett 2001: 567). Between 2000 and 2012, Chile experienced the lowest average de jure EPL score in Latin America despite the presence of a left-leaning executive in 11 of 13 years (see Figure 8).



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Second, I find a positive relationship between executive ideology and the level of de facto collective bargaining that is largely supported by the empirical research (Murillo and Schrank 2005; Murillo 2005; Murillo 2001). The empirical literature contends that

labor-backed parties, which are usually left-of-center, promote collective bargaining legislation because they depend on the electoral support of labor unions (Murillo and Schrank 2005; Murillo 2005; Murillo 2001; Cook 2007). In turn, unions allocate a disproportionate amount of their political and material resources to maintain and expand collective labor regulations because collective bargaining determines a union's capacity to influence labor policy and to acquire extensive support among workers in important sectors (see Murillo 2001; Cook 2007).



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

The data shows that Latin America countries mostly governed by left-of-center executives experienced the greatest average scores of de facto collective bargaining between 2000 and 2012 (see Figure 9). For example, Argentina, Brazil, Uruguay, and Venezuela represent four of the five countries with the most country-years under left-leaning executives as well as the four highest average de facto collective bargaining scores

in the region. Chile is the main exception to the positive relationship between executive ideology and de facto collective bargaining because it largely failed to centralize collective bargaining despite the severe fragmentation of the labor movement under Pinochet (Barrett 2001).

Additionally, I find a negligible positive relationship between inflation and de facto collective bargaining. This finding suggests that macroeconomic instability likely leads unions to protect their collective bargaining rights in times of economic uncertainty because they expect governments to pursue labor flexibilization strategies as part of stabilization reforms (see Cook 2007). However, negligible magnitude of this effect means that its explanatory power is limited.

Unlike de jure EPL, de facto EPL is not shaped by executive ideology. Instead, de facto EPL is largely influenced by the extent of electoral democracy. I find that states with high levels of electoral democracy are more likely to have protective de facto EPL. This is likely due to the increased capacity of unions and workers, as well as other political interest groups, to use elections to make politicians respond to both their material and political interests in ways that do not exclusively involve legislation. This finding supports arguments that organized labor is empowered by increased democratization because it provides unions with greater access to and influence in the policymaking process (Murillo and Schrank 2005: 983).

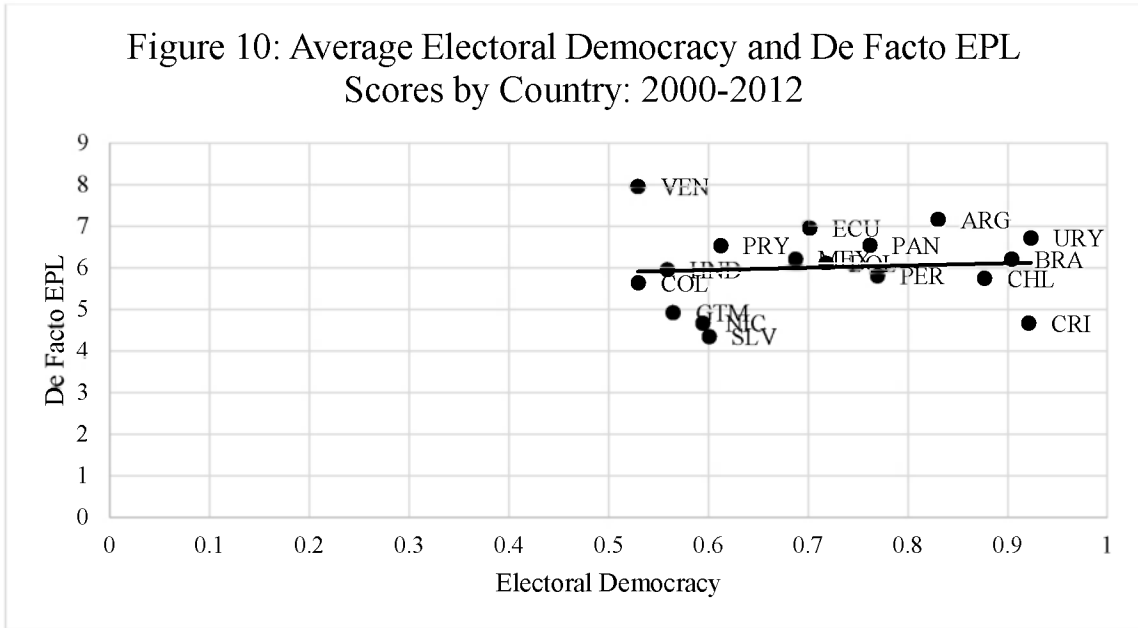
However, while Murillo and Schrank (2005) find that the level of democracy has a large positive, but not statistically significant, impact on the likelihood of union-friendly collective reforms, I find that the level of electoral democracy does have a very large positive, statistically significant, effect on the extent of de facto EPL protections. I contend

that high levels of electoral democracy increased domestic pressures for the government to provide high levels of worker security between 2000 and 2012 because workers demanded stronger individual labor protections, less labor flexibility, than was the norm in the 1990s. However, worker demands appear to have been addressed through means that did not involve legislation.

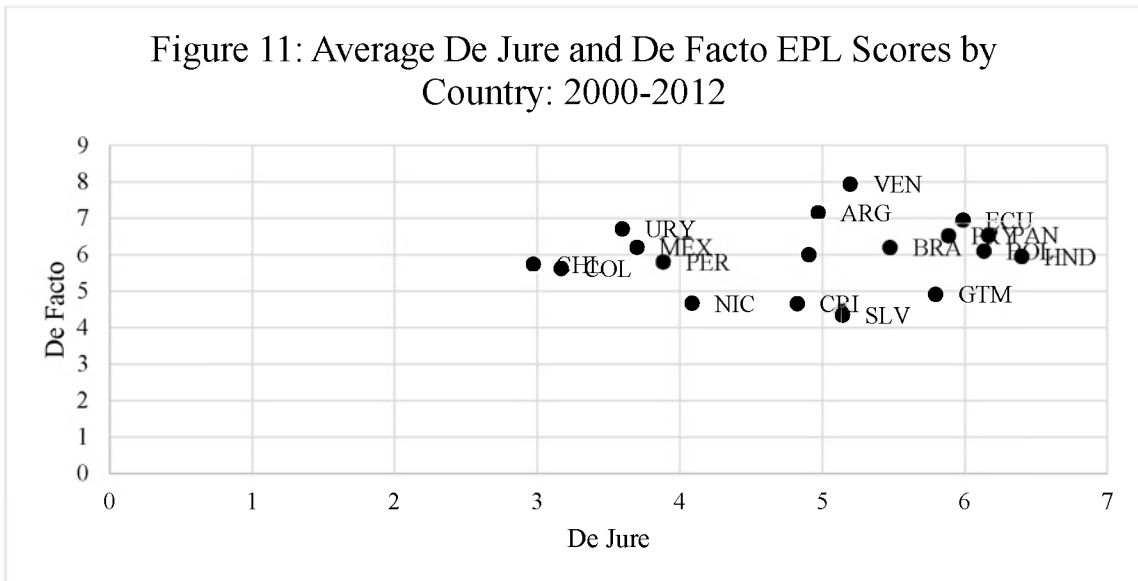
I contend that Latin American countries likely experienced an anti-neoliberal “Polanyian countermovement to contemporary market society” that stressed the decommodification of labor through greater individual labor protections (Silva 2009: 267). However, the ability of governments, left- or right-leaning, to increase EPL protections was likely limited by obstructionist business groups that sought to preserve the status quo. Therefore, it is possible that governments pursued a middle road where de jure EPL remained largely oriented toward flexibility while de facto EPL protections were expanded. Alternatively, it’s possible that union demands focused on enhancing protective EPL as a consolation after not being able to secure more extensive collective bargaining rights.

For example, Argentina, Brazil, Ecuador, and Uruguay are countries with relatively high levels of electoral democracy that experienced more protective average levels of de facto EPL (see Figure 10). In particular, Argentina, Brazil, and Uruguay each expanded labor law enforcement efforts in the 2000s, thereby increase de facto EPL protections while protective legislation was limited (Cook and Bazler 2013; Murillo et al. 2011). Furthermore, the average levels of de facto EPL in these countries was considerably greater than the average levels of de jure EPL between 2000 and 2012 (see Figure 11). Therefore, the data suggests that electoral democracy strongly influenced the increase in

de facto EPL protections in these countries while the impact on electoral democracy on de jure EPL was limited, and potentially negative.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)



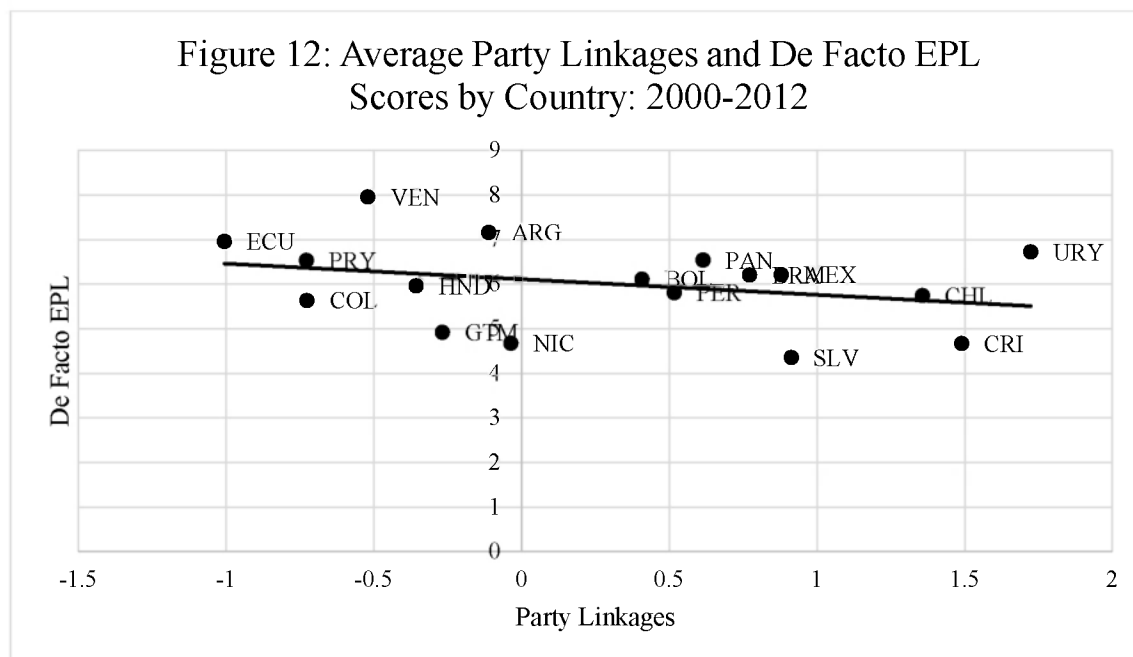
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Additionally, the orientation of de facto EPL is negatively influenced by party linkages and union repression. The party linkages indicator is scaled from clientelistic to programmatic. As a result, more clientelistic linkages between major parties and their constituents result in more protective EPL, a moderate effect. Likewise, the union repression variable is scaled from high to low levels of repression. Therefore, higher levels of union repression are associated with more protective EPL, a large effect. The effect of party linkages and union repression on EPL is supported by previous findings.

The empirical literature suggests that high levels of union repression signal that organized labor does not have a traditionally privileged position in politics, due to labor's poor incorporation into the political system, and that unions do not have sufficient organizational strength to influence policymaking (Murillo and Schrank 2005: 985). Thus, unions in highly repressive countries tend to pursue transnational alliances to leverage the support of powerful foreign government to pressure governments to enhance protective EPL (Murillo and Schrank 2005). For example, in most Central American countries the presence of weak unions and the lack of traditional labor-backed parties due to the predominantly personalistic political parties led workers to petition U.S. trade officials to enforce labor standard requirements found in trade agreements (Cook 2007).

Conversely, unions that do not experience high levels of repression are more likely to develop political alliances with left-leaning parties, which support the expansion of labor protections (Alemán 2014; Murillo and Schrank 2005). Labor unions in Argentina have traditionally been able to demand expanded labor protections from labor-backed parties in return for electoral support (Murillo and Schrank 2005: 990). My finding that high levels of union repression facilitate more protective de facto EPL is likely due to the presence of

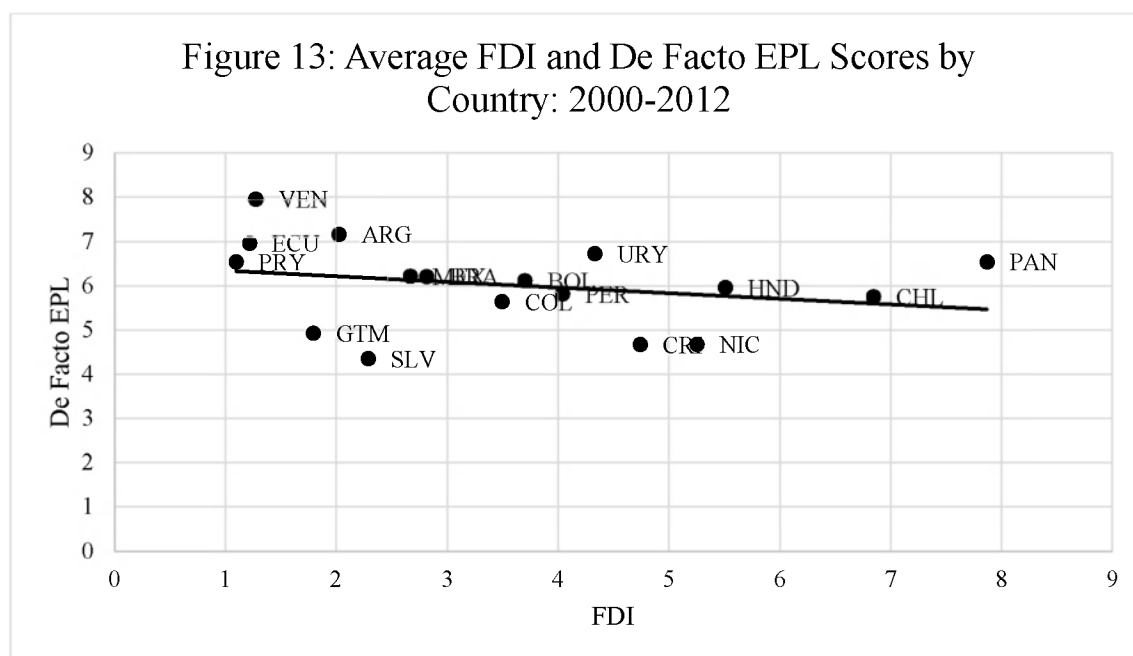
transnational alliances and not domestic alliances. Moreover, the positive, but negligible, impact that trade has on de facto EPL suggests that trade openness allows unions in countries with labor-repressive regimes to pursue transnational alliances in order to secure union-friendly collective reforms.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

My finding that clientelistic linkages promote protective de facto EPL is not supported by the literature. Scholars argue that clientelistic linkages allow governments to provide concessions to unions and other constituents in exchange for acquiescence to flexible EPL reforms (see Murillo 2001; Murillo 2005; Murillo and Schrank 2005; Levitsky 2003). Therefore, the expectation would be that clientelistic linkages would lead to less protective EPL. However, given the empirical literature's focus on de jure EPL, it is possible that my findings – based on de facto EPL – are valid because unions concede to flexible EPL reforms because they are provided with assurances from government that the

flexible EPL laws will not be enforced. The data suggest that clientelistic party linkages are related to high levels of de facto EPL, especially in Venezuela, Ecuador, and Argentina (see Figure 12). Murillo (2001) provides ample evidence that labor unions in Argentina and Venezuela have been able to traditionally obtain concessions from labor-backed parties that were not exclusive to legislated protections.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Additionally, FDI has a small negative impact on the orientation of de facto EPL. This negative relationship between FDI and EPL supports the empirical research that suggests MNCs in Latin America favor more flexible EPL because they are disproportionately impacted by the orientation of EPL when compared to domestic firms (Ronconi 2012). Therefore, in order to maintain competition with domestic export-oriented firms, MNCs channel their preference for flexible EPL into a relatively powerful force pressuring governments to increase EPL flexibility. MNCs likely pursue strategies to

increase both de jure and de facto EPL flexibility but data shows that they're impact is most significant with de facto EPL. According to the data, the latter is particularly evident in Chile (see Figure 13). In fact, during the 2000s Chile has largely acquiesced to the demands of labor flexibilization from MNCs at the expense of labor (Alemán 2010: 125)

Lastly, GDP per capita has very negligible effects on the orientation of de jure EPL, de facto EPL, and de facto collective bargaining. While statistically significant, the impact of GDP per capita on labor relations is likely evidence of statistical noise because of the small coefficients reported.

Explanatory factor	Labor relations dimension	Effect	Country examples
Executive ideology	De jure EPL	Left executives increased flexibility	Chile
Executive ideology	De facto collective bargaining	Left executives increased centralization	Argentina, Brazil, Uruguay, Venezuela
Electoral democracy	De facto EPL	Greater electoral democracy increased protections	Argentina, Brazil, Ecuador, Uruguay
Union repression	De facto EPL	Greater union repression increased protections	Central America
Party linkages	De facto EPL	Clientelistic party linkages increased protections	Argentina, Ecuador, Venezuela
FDI	De facto EPL	Greater FDI increased flexibility	Chile

In summary, Model 1 finds that left-leaning executives do not favor protective EPL (see Table 7). This means that H_1 , is rejected and that my findings run contrary to the empirical literature linking left-of-center executives to more protective EPL (see Alemán 2014; Murillo et al. 2011). However, I contend that Latin American countries experienced

considerable pressures to preserve the commodification of labor through the continuation flexible de jure EPL between 2000 and 2012. Conversely, left-leaning executives favored more centralized de facto collective bargaining. This finding is largely supported by prior empirical findings that argue that unions are able to preserve or expand collective bargaining when partisan alliances exist (Murillo and Schrank 2005; Murillo 2005; Murillo 2001).

Furthermore, Model 1 provides evidence that the orientation of de facto EPL is predominantly influenced by the extent of electoral democracy. I contend that worker demands for the decommodification of labor relations appear to have been addressed through means that did not involve legislation, as with the increased enforcement of existing EPL. Additionally, I find that union repression and clientelistic party linkages contributed to more protective de facto EPL while FDI supported more flexible de facto EPL.

Likelihood of Labor Relations Reform

Model 2 tests H_2 , H_3 , H_4 , and H_5 by estimating whether executive ideology, FDI, trade, party linkages, and union repression increase the odds of labor reform. This model evaluates how political and institutional conditions impacted the likelihood of labor reform (all, protective, or flexible) between 2000 and 2012 in order to explain the decline in labor reform in Latin America during this period. The assumption underlying this model is that the rising number of left-leaning executives, increasing FDI, more programmatic party linkages, and decreasing union repression increased the likelihood of labor reform, particularly protective reform, in Latin America between 2000 and 2012 because these

same explanatory factors shaped labor reforms in the 1990s and early 2000s (see Murillo et al. 2011; Murillo and Schrank 2005; Alemán 2014).

Table 8: Model 2 – What factors influence labor relations reform in Latin America? (2000-2012)			
Binary time-series cross-section (BTSCS) logit panel with temporal dummy variables: Coefficients and Standard Errors (n=204)			
Variable	De jure EPL	De facto EPL	De facto collective bargaining
Executive ideology	-0.580 (0.716)	-0.372 (0.799)	0.842 (0.788)
FDI	0.209 (0.131)	0.136 (0.147)	-0.034 (0.150)
Trade	0.003 (0.013)	-0.025** (0.012)	0.016 (0.014)
Party linkages	-1.882*** (0.512)	0.700 (0.511)	0.157 (0.461)
Union repression	-1.400 (1.018)	-0.300 (0.904)	0.048 (0.858)
GDP per capita	-0.00003 (0.0002)	0.00005 (0.0002)	0.0002 (0.0002)
Inflation	0.138** (0.063)	-0.029 (0.067)	-0.042 (0.054)
Unemployment rate	0.032 (0.123)	-0.243 (0.155)	0.106 (0.122)
Electoral democracy	14.504*** (5.344)	-0.513 (5.079)	-8.292* (4.824)
Rule of law	-0.038 (0.526)	-0.577 (0.648)	0.909 (0.578)
Constant	-28.736 (1,915.72)	26.155 (2,350.120)	4.477 (2.959)
Observations	204	204	204
Log likelihood	-54.044	-44.369	-49.599
Akaike information criterion (AIC)	152.087	132.737	143.198

Notes: *p<0.1; **p<0.05; ***p<0.01. Annual changes $\geq |0.05|$ were coded as 1 for labor relations reform and annual changes $< |0.05|$ were coded as 0, no labor relations reform.

Table 8 displays the coefficients obtained from a time-series cross-section analysis with a binary dependent variable (BTSCS) logit panel with temporal dummy variables examining the impact of political and institutional conditions on the likelihood of labor relations reform. Cluster-robust Huber/White standard errors are not reported for Model 2 because they are inapplicable to logit panel analysis (Beck et al. 1998). Additionally, I present the coefficients obtained by removing the temporal dummy variables from the BTSCS logit panel in Appendix 3.

Table 8 shows that the likelihood of de jure EPL labor reform is drastically increased by more extensive electoral democracy. A one-unit increase in electoral democracy increases the log odds of de jure EPL reform, either protective or flexible, by a factor of 14.5. This means that the likelihood of de jure EPL labor reform in Latin America between 2000 and 2012 is mainly influenced by increases in electoral democracy. This finding suggests that greater electoral democracy enables actors to achieve legislated changes to labor codes. This means that electoral democracy largely facilitates the institutional change types of displacement and layering, which involve the replacement and amendment of rules respectively. These change strategies emerge with more extensive electoral democracy because greater democracy increases the level of contestation for labor policy as more political blocs are empowered to participate in the policymaking process.

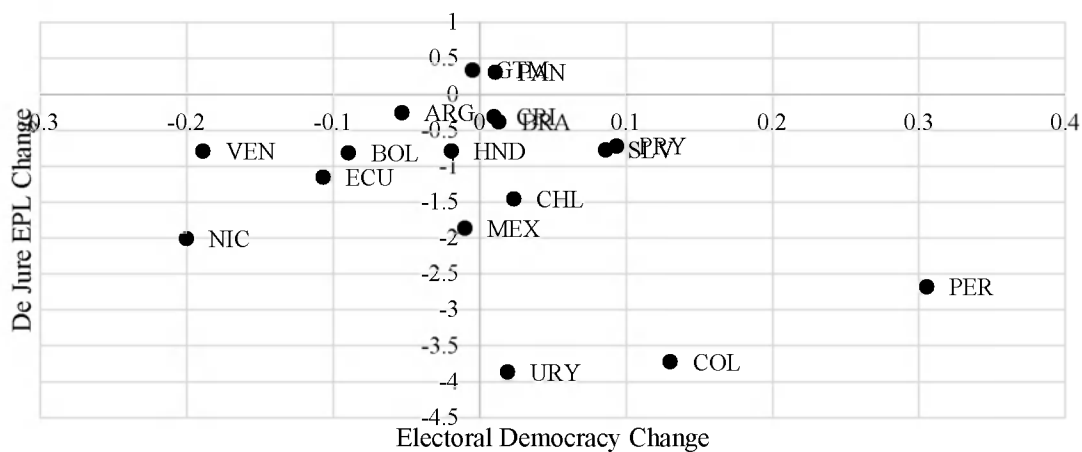
However, the total change in electoral democracy among Latin American countries during between 2000 and 2012 was generally modest, ranging between -0.20 in Nicaragua to 0.31 points in Peru, based on a 0 to 1-point scale (see Figure 14). Only Peru and Colombia experienced increases in electoral democracy greater than 0.10. Conversely, only Nicaragua, Venezuela, and Ecuador underwent declines in electoral democracy greater

than -0.10 during this period. Data shows that the majority of countries in Latin America did not experience considerable changes in their levels of electoral democracy. However, it is important to note that countries with substantial increases or decreases in electoral democracy – Ecuador, Nicaragua, Peru, and Venezuela – underwent increases in the flexibility of de jure EPL, especially Nicaragua and Peru.

Similarly, the total change in de jure EPL has also been generally minor, ranging from -3.87 in Uruguay to 0.34 in Guatemala between 2000 and 2012. The only countries to have experienced de jure EPL changes greater than 1 point on a 10-point scale were Uruguay, Colombia, Peru, Nicaragua, Mexico, Chile, and Ecuador. It is important to note that each of these countries experienced increases in de jure EPL flexibility. Therefore, the data suggests that the political and institutional conditions in these seven countries enabled actors in the pursuit of more flexible labor relations to succeed in either rewriting or amending existing labor laws to be less protective. According to Mahoney and Thelen's (2010) institutional change model, these actors likely achieved institutional displacement or layering when they effectively changed the rules of labor relations institutions.

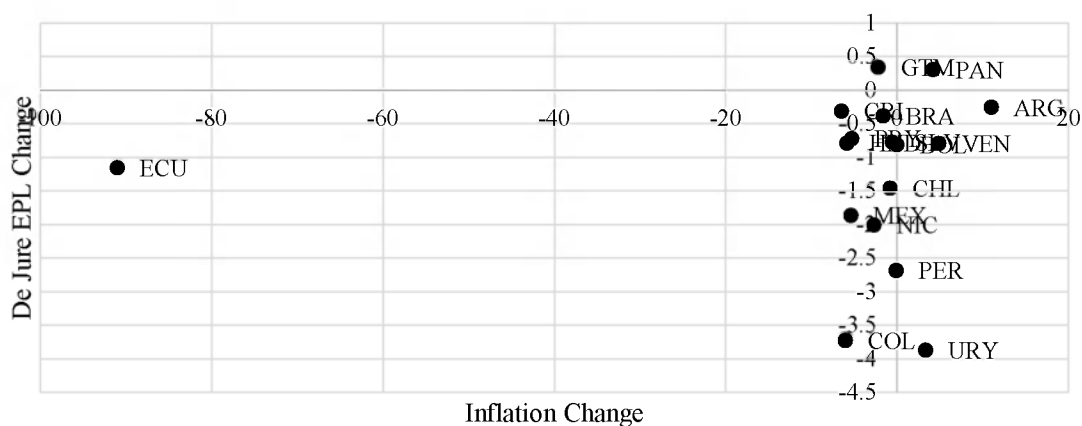
In particular, electoral democracy appears to have had a significant on the likelihood of de jure EPL reform in the case of Peru. Data shows that Peru was the only country to have experienced both a considerable increase in electoral democracy and a sizeable shift in the orientation of de jure EPL between 2000 and 2012, relative to other countries in Latin America (see Figure 14). This means that while increases in electoral democracy have the potential to significantly increase the likelihood of de jure EPL reform, increases in electoral democracy have been generally minor and so have the resultant de jure EPL reforms.

Figure 14: Electoral Democracy and De Jure EPL Change by Country: 2000-2012



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Figure 15: Inflation and De Jure EPL Change by Country: 2000-2012

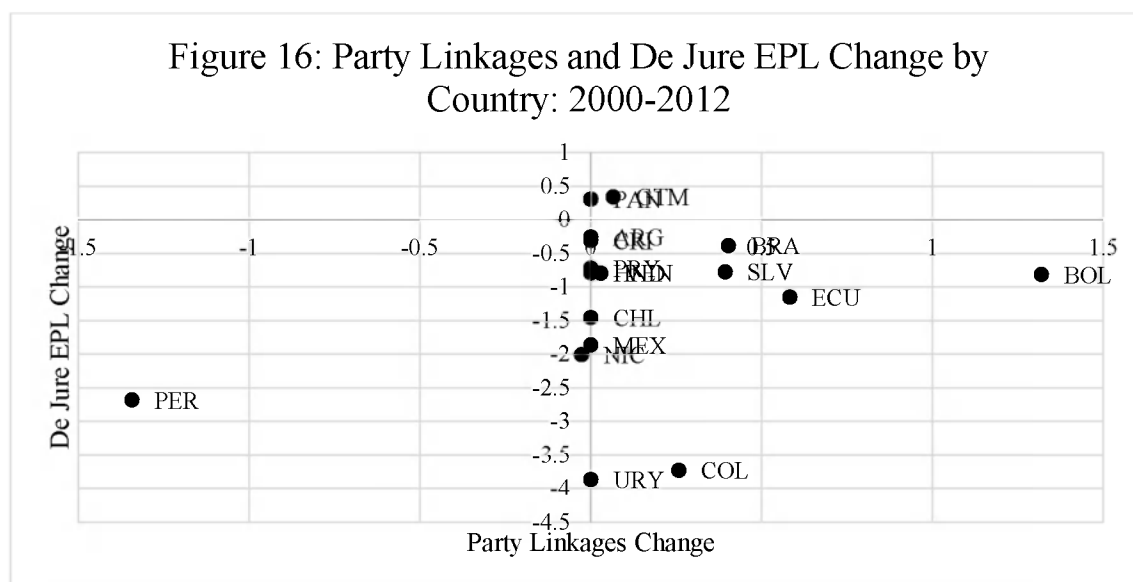


Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Additionally, the likelihood of de jure EPL labor reform is increased by inflation. A one-unit increase in inflation increases the log odds of de jure EPL reform, either protective or flexible, by a factor of 0.14. The impact of inflation on de jure EPL labor reform is small but statistically significant. Argentina appears to be the only country in

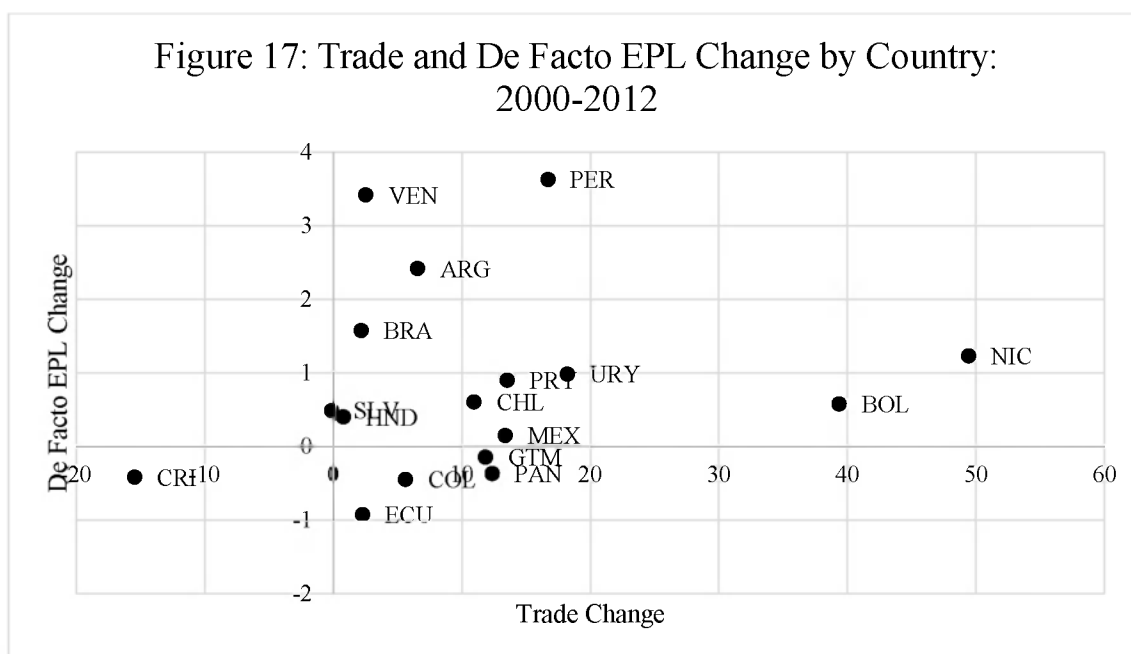
Latin America to have experienced significant increases in inflation between 2000 and 2012 (see Figure 15). However, Argentina experienced modest changes to de jure EPL during this period despite the statistical significance of inflation. Therefore, I contend that the general absence on inflation increases in Latin America between 2000 and 2012 contributed to the decline in EPL reform observed in this period.

Conversely, the likelihood of de jure EPL labor reform is decreased by more programmatic party linkages. A one-unit increase in party linkages – interpreted as more programmatic and less clientelistic linkages – decreases the log odds of de jure EPL reform, either protective or flexible, by a factor of 1.88. The latter is due to the fact that eight of the 17 countries analyzed did not experience a change in the levels of party linkages between 2000 and 2012. Furthermore, countries with relatively high increases in party linkages – programmatic linkages – underwent very modest changes in de jure EPL. The latter is evident in the cases of Bolivia, Brazil, El Salvador, and to a lesser extent Ecuador (see Figure 16).



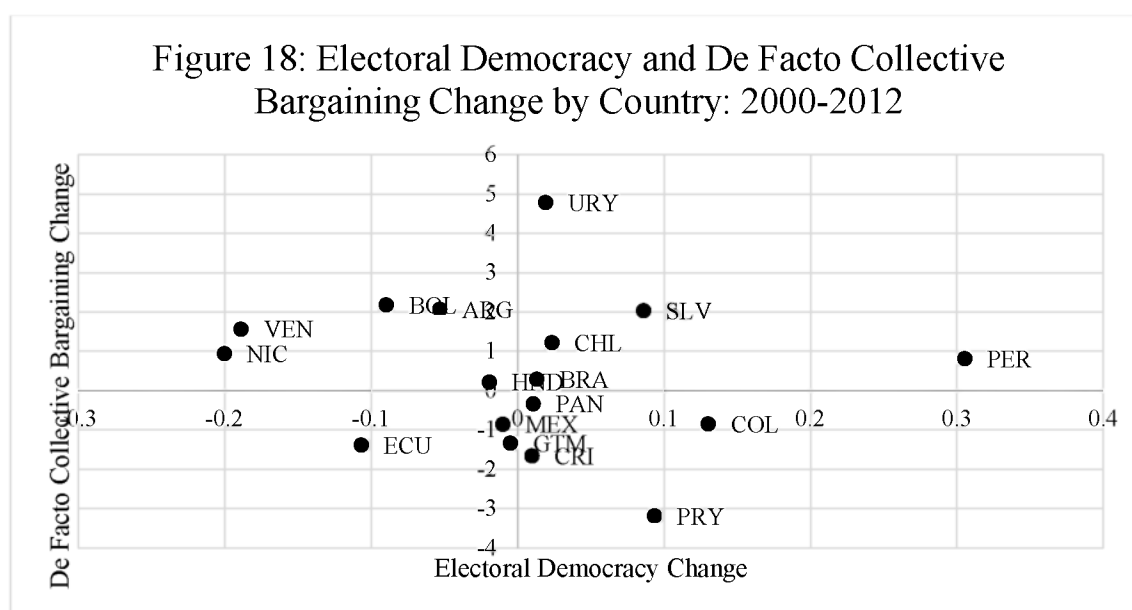
Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

I contend that increases in programmatic party linkages reduce the likelihood of de jure EPL reform because parties are more likely to pursue the interests of the broader society as opposed to individual supporters (Levitsky and Roberts 2011). This means that parties are less likely to pursue electoral support by passing labor legislation that benefit individual groups like unions or employer associations. Instead, parties are likely to focus reforms to broader social and economic issues, which may not include labor policy (see Cook and Bazler 2013). I reject H_4 because programmatic party-constituent linkages do not increase the likelihood labor reforms. Instead programmatic party-constituent linkages constrain de jure EPL reform. Additionally, programmatic party linkages also inhibit institutional change in labor relations, particularly through displacement and layering, because the state is more likely to veto changes to labor policy when they focus their political capital on broader social and economic policies.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Furthermore, the likelihood of de facto EPL labor reform is decreased by trade. A one-unit increase in trade decreases the log odds of de facto EPL reform, either protective or flexible, by a factor of 0.025. The cases of Mexico, Guatemala, and Panama most approximate the model findings of increases in trade and very little de facto EPL reform between 2000 and 2012 (see Figure 17). However, this effect is negligible and the data shows that variance in de facto EPL changes occurred largely independent of changes in trade. This means that none of the indicators studied exhibited a considerable impact on the likelihood of de facto EPL reform.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Moreover, the log odds of de facto collective bargaining reform is drastically decreased by a factor of 8.3 when electoral democracy is increased by one unit. This finding suggests that greater electoral democracy stifles actors' abilities to change how collective bargaining is practiced. As a result, the institutional change strategies of drift and

conversion were very limited. Most countries with significant changes to de facto collective bargaining experienced very modest changes to electoral democracy, such as Uruguay, Paraguay, Bolivia, Argentina, and El Salvador. Similarly, only Peru and Colombia experienced increases in electoral democracy greater than 0.10 (see Figure 18). Both Peru and Colombia experienced modest changes to de facto collective bargaining. This trend is likely due to the fact that countries with increasing electoral democracy spend little political capital on collective bargaining because EPL provides parties with broader electoral support (see Cook and Bazler 2013).

Table 9 presents the findings of a BTSCS logit panel with temporal dummy variables examining the impact of political and institutional conditions on the likelihood of protective labor relations reform. First, this analysis finds that party linkages decrease the likelihood of protective de jure EPL reform while inflation increases the likelihood of protective de jure EPL reform, by a factor of -1.02 and 0.11 respectively. These findings echo the impact that party linkages and inflation have on all reforms. Furthermore, the general absence on inflation increases in Latin America between 2000 and 2012 contributed to the decline of EPL reform in Latin America because an important factor conducive to protective reforms was mostly absent.

Additionally, the finding that party linkages decrease the likelihood of protective reform is largely supported by the data. Countries with increases in party linkages generally experienced flexible de jure EPL reforms between 2000 and 2012. This means that as programmatic party linkages were developed in Bolivia, Ecuador, Brazil, and El Salvador, the likelihood that these countries would experience protective de jure EPL reforms declined.

Table 9: Model 2 – What factors influence protective labor relations reform in Latin America? (2000-2012)			
Binary time-series cross-section (BTSCS) logit panel with temporal dummy variables: Coefficients and Standard Errors (n=204)			
Variable	De jure EPL	De facto EPL	De facto collective bargaining
Executive ideology	0.204 (0.710)	0.655 (0.449)	0.463 (0.407)
FDI	0.356*** (0.133)	0.065 (0.082)	0.025 (0.079)
Trade	0.004 (0.011)	-0.014* (0.008)	-0.005 (0.007)
Party linkages	-1.019** (0.512)	0.390 (0.287)	0.469* (0.277)
Union repression	0.349 (0.799)	0.333 (0.506)	0.015 (0.470)
GDP per capita	-0.00005 (0.0002)	-0.00004 (0.0001)	-0.0001 (0.0001)
Inflation	0.107* (0.055)	-0.024 (0.033)	0.001 (0.031)
Unemployment rate	0.026 (0.106)	-0.054 (0.070)	0.028 (0.060)
Electoral democracy	1.993 (4.180)	-1.284 (2.653)	0.662 (2.504)
Rule of law	0.103 (0.548)	-0.487 (0.356)	-0.483 (0.329)
Constant	-25.337 (2,173.45)	3.919** (1.763)	0.078 (1.474)
Observations	204	204	204
Log likelihood	-54.57	-112.262	-125.86
Akaike information criterion (AIC)	153.141	268.523	295.720

Notes: *p<0.1; **p<0.05; ***p<0.01. Cluster-robust Huber/White standard errors are reported. Annual changes ≥ 0.05 were coded as 1 for labor relations reform and annual changes < 0.05 were coded as 0, no labor relations reform.

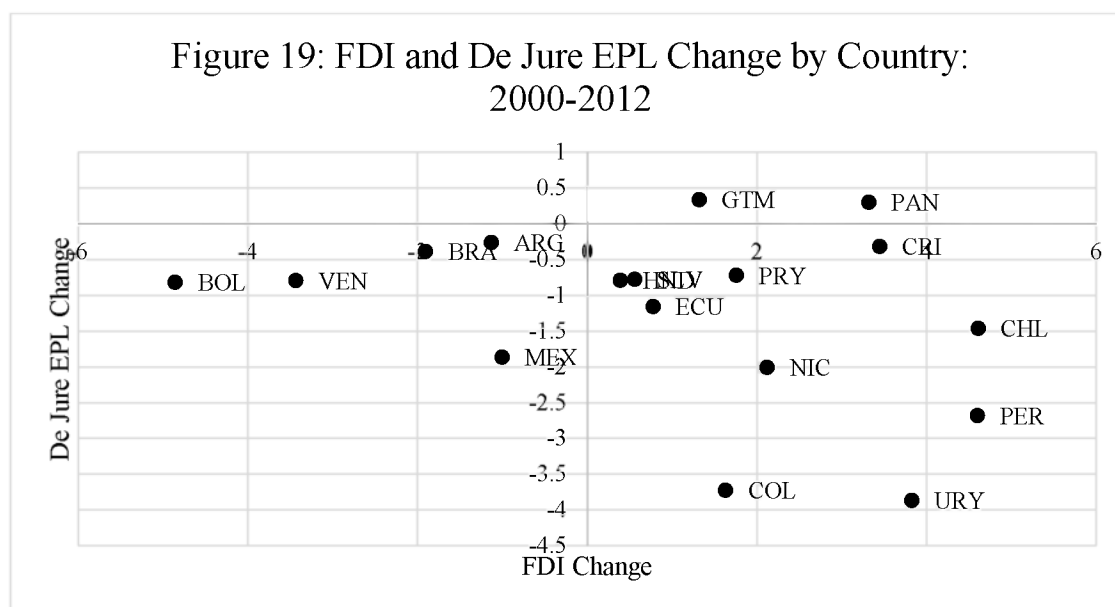
Increases in programmatic party linkages involves a shift away from party-constituent relations based on individualized concessions in return for electoral and toward relations centered on the achievement of broader electoral success through an encompassing policy platform focused on social and economic issues (Levitsky and

Roberts 2011). Unions that have traditionally relied on labor-backed left-leaning parties are particularly vulnerable to more programmatic party linkages because their ability to impact policymaking and increase collective bargaining is predicated on their importance as a voting bloc (Cook 2007). Empirical evidence suggests that many Latin American countries, even those with left-of-center executives, have not enhanced collective bargaining in the 2000s (Cook and Bazler 2013).

I contend that the negative relationship between programmatic party linkages and the decreasing likelihood of protective de jure EPL reform is due to a shift in party's focus away from providing concessions to traditionally entrenched interest groups like unions and toward the broader social and economic interests of society writ large. The latter dynamic will be explored more thoroughly in the analytic narrative of Brazil in a later section (see Cook and Bazler 2013). Nonetheless, this finding provides evidence rejecting H_4 because more programmatic party linkages constrain labor relations reform instead of increasing the likelihood of reform.

Second, Table 9 shows that FDI increased the likelihood of protective de jure EPL reform by a factor of 0.36. This finding suggests that MNCs pressure governments to increase EPL. This is explained by the strategic pursuit of MNCs to demand stronger labor protections in order to level the regulatory playing field with domestic exporters. MNCs are at a competitive disadvantage when domestic exporters have more flexible labor regulations relative to MNCS (see Ronconi 2012). MNCs pursue the institutional change strategies of displacement and layering because they prefer to achieve legislated labor policy changes that are highly visible and formal.

However, Panama and Guatemala appear to be the only cases where increases in FDI led to more protective de jure EPL in Latin America between 2000 and 2012 (see Figure 19). Therefore, the impact of FDI on the likelihood of protective de jure EPL reform is limited by its low prevalence. Nonetheless, this finding provides evidence supporting H_3 because increasing levels of FDI does increase the likelihood of EPL reform, protective de jure EPL reform in particular.

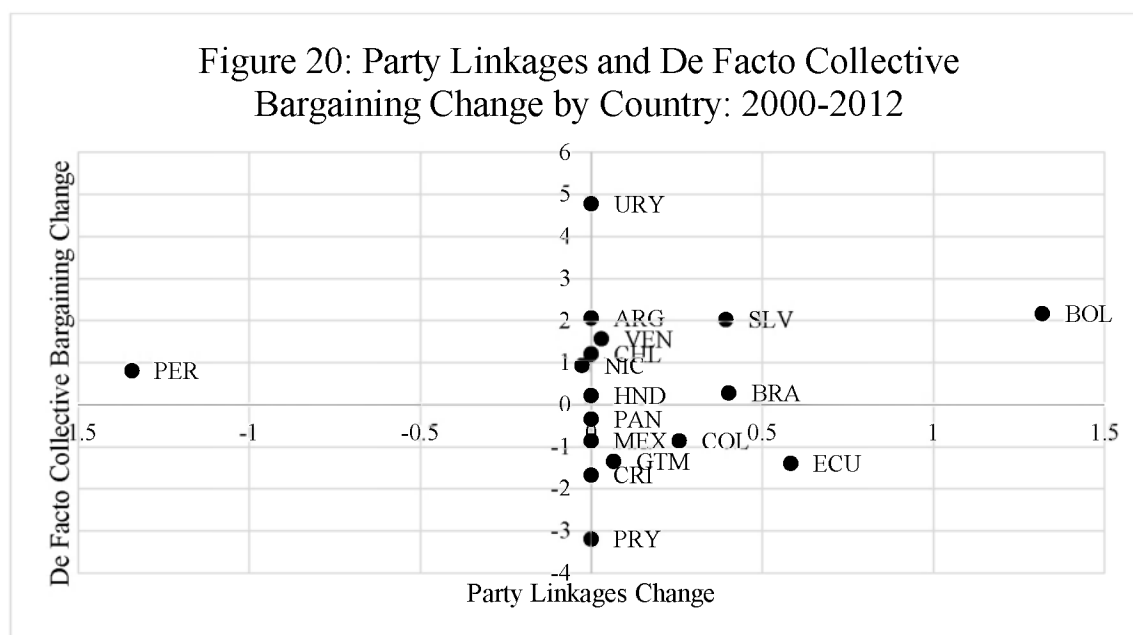


Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Additionally, the likelihood of protective de facto EPL change is decreased by trade. A one-unit increase in trade decreases the log odds of protective de facto EPL change by a factor of 0.014. This finding suggests that trade has contributed to the decline in labor relations reform in Latin America between 2000 and 2012 by constraining the likelihood of protective de facto EPL reform. However, the impact of trade on the likelihood of protective de facto EPL reform is modest.

Furthermore, Table 9 shows that party linkages increase the likelihood of protective de facto collective bargaining change by a factor of 0.47. Data show that Bolivia best

exemplifies this finding because it experienced a considerable increase in both programmatic party linkages and de facto collective bargaining between 2000 and 2012 (see Figure 20). However, this finding provides limited evidence supporting H_4 because my analysis also concludes that programmatic party-constituent linkages have a large effect in constraining protective de jure EPL reform.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Nonetheless, the statistical significance of party linkages' impact on protective de facto collective bargaining is puzzling given the fact that more programmatic party linkages involve a shift away from party-constituent relations based on patronage and toward relations centered on the achievement of broader electoral success through an encompassing policy platform focused on social and economic issues (Levitsky and Roberts 2011). Unions are most successful in extending collective bargaining when their incorporation into politics is linked to labor-backed party (see Murillo 2001; Murillo 2005).

However, programmatic party linkages weaken the importance of unions as a crucial voting bloc relative to other interest groups (Cook 2007). Empirical evidence suggests that Latin American countries, even those with left-of-center executives, have not enhanced collective bargaining in the 2000s (Cook and Bazler 2013).

Table 10 presents the findings of a BTSCS logit panel with temporal dummy variables examining the impact of political and institutional conditions on the likelihood of flexible labor relations reform. Table 10 shows that the likelihood of flexible de jure EPL labor reform is drastically increased by more extensive electoral democracy. A one-unit increase in electoral democracy scores increases the log odds of de jure EPL reform, either protective or flexible, by a factor of 7.26. This finding suggests that electoral democracy is the main driver of de jure EPL reform in Latin America and that reforms are largely flexible in orientation.

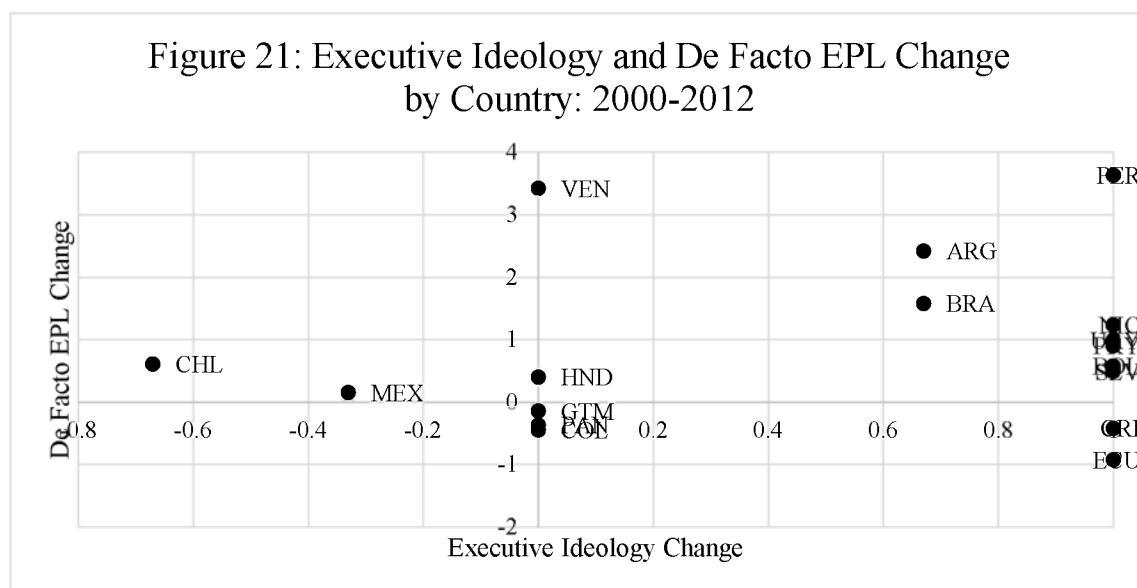
While only Peru and Colombia experienced increases in electoral democracy greater than 0.10, their shift toward more flexible de jure EPL was decisive. Peru experienced a 2.68-point decline in de jure EPL protections while Colombia's decline was of 3.73 points. This means that where electoral democracy increased in Latin America, deep flexible de jure EPL reforms followed. The relationship between electoral democracy and flexible de jure EPL reform can be explained by the pressures to pursue greater levels of economic growth among countries deepening democratic institutions (see Cook 2007). Additionally, the expansion of democracy likely provides actors strategically interested in increasing EPL flexibility with an environment that is more conducive to reform, particularly via institutional displacement and layering.

Table 10: Model 2 – What factors influence flexible labor relations reform in Latin America? (2000-2012)			
Binary time-series cross-section (BTSCS) logit panel with temporal dummy variables: Coefficients and Standard Errors (n=204)			
Variable	De jure EPL	De facto EPL	De facto collective bargaining
Executive ideology	-0.201 (0.597)	-0.788* (0.454)	-0.322 (0.417)
FDI	-0.138 (0.123)	-0.005 (0.083)	-0.045 (0.081)
Trade	0.010 (0.011)	0.005 (0.008)	0.010 (0.007)
Party linkages	-0.554 (0.382)	-0.126 (0.291)	-0.387 (0.291)
Union repression	-1.185 (0.731)	-0.454 (0.512)	0.017 (0.486)
GDP per capita	0.00005 (0.0001)	0.00004 (0.0001)	0.0001 (0.0001)
Inflation	-0.010 (0.045)	0.024 (0.034)	-0.009 (0.031)
Unemployment rate	-0.020 (0.087)	0.002 (0.071)	0.008 (0.062)
Electoral democracy	7.255* (3.835)	1.162 (2.705)	-3.805 (2.618)
Rule of law	-0.239 (0.466)	0.311 (0.365)	0.861** (0.345)
Constant	-20.175 (2,557.320)	-2.155 (1.738)	0.122 (1.516)
Observations	204	204	204
Log likelihood	-69.715	-109.306	-117.382
Akaike information criterion (AIC)	183.430	262.612	278.765

Notes: *p<0.1; **p<0.05; ***p<0.01. Annual changes ≤ -0.05 were coded as 1 for labor relations reform and annual changes > -0.05 were coded as 0, no labor relations reform.

Additionally, Table 10 shows that left-leaning executives reduce the likelihood of flexible de facto EPL change by a factor of 0.79. This finding is largely consistent with the existing empirical literature that finds that left-of-center executives support protective EPL reforms and constrain flexible reforms (see Murillo et al. 2011; Alemán 2014). However,

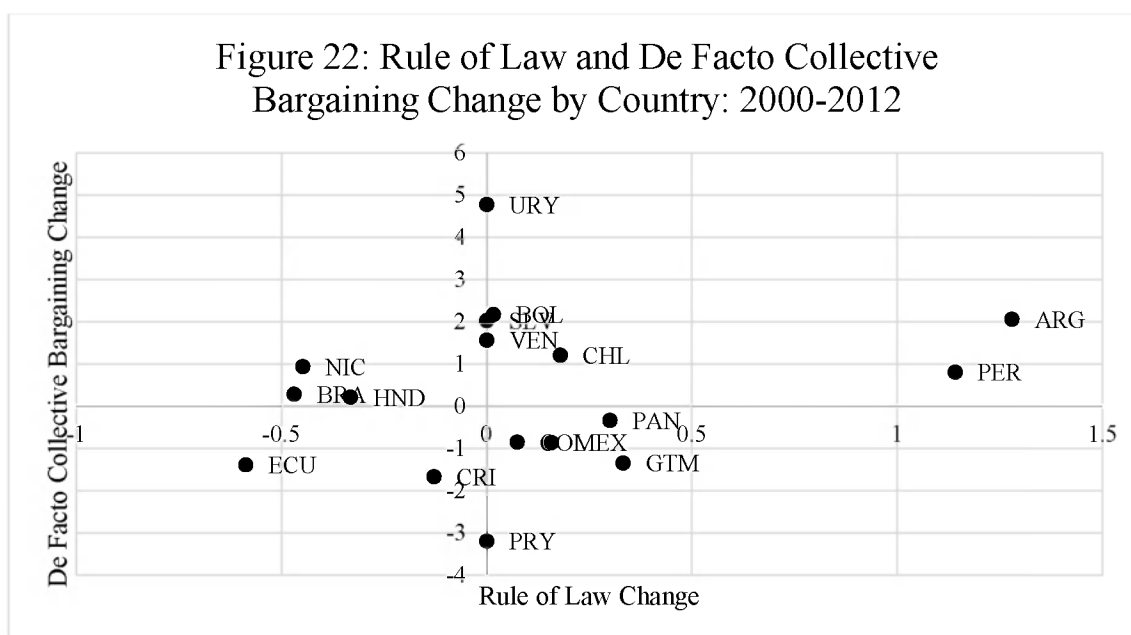
this finding does not support H_2 because left-leaning executives diminish the likelihood of labor reforms. Furthermore, this finding suggests that while left-of-center executives constrain the likelihood of flexible de jure EPL reforms they do not increase the likelihood of protective reforms. As a result, the rise of left-leaning executives contributes to the general decline in labor relations reform between 2000 and 2012.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

The data show that Costa Rica and Ecuador are the only countries to have shifted from right-of-center to left-leaning executives that experienced increased flexibilization of de facto EPL between 2000 and 2012, although the increased flexibilization was modest (see Figure 21). Conversely, the other eight countries (Peru, Argentina, Brazil, Nicaragua, Uruguay, Paraguay, Bolivia, and El Salvador) that elected left-of center executives experienced changes toward more protective de facto EPL. Therefore, while the success of left-leaning executives doesn't increase the likelihood of protective de facto EPL changes, it does reduce the likelihood of changes in de facto EPL that increase flexibility.

Lastly, Table 10 provides evidence that increases in rule of law improve the likelihood of flexible de facto collective bargaining change, by a factor of 0.86. The case of Guatemala best exemplifies this finding because it's the country that experienced the greatest shift toward less centralized de facto collective bargaining among countries that increased the rule of law between 2000 and 2012 (see Figure 22). This relationship is driven by the fact the enforcement of labor relations in Latin America is largely discretionary in nature because labor inspectors are empowered to use their discretion in settling labor disputes between unions and employers (Piore and Schrank 2008). The finding suggests that lower levels of rule of law benefit unions by making the centralization of collective bargaining greater in practice than labor laws would dictate. Therefore, increases in the rule of law likely decrease the ability of labor inspectors to use their discretion in adjudicating labor disputes, to the benefit of employers.



Source: created by author based on data from Gwartney et al. (2016) and V-Dem (2016)

Explanatory factor	Labor relations reform dimension	Effect	Institutional change type	Country examples
Electoral democracy	De jure EPL (all and flexible)	Increase likelihood	Displacement and/or layering	Colombia, Peru
Inflation	De jure EPL (all and protective)	Increase likelihood	Displacement and/or layering	Argentina
Party linkages	De facto collective bargaining (protective)	Increase likelihood	Drift and/or conversion	Bolivia, El Salvador
Rule of law	De facto collective bargaining (flexible)	Increase likelihood	Drift and/or conversion	Colombia, Guatemala, Mexico, Panama
Party linkages	De jure EPL (all and protective)	Decrease likelihood	-	Bolivia, Brazil, Ecuador, El Salvador
Trade	De facto EPL (all and protective)	Decrease likelihood (negligible)	-	Guatemala, Mexico, Panama
Executive ideology	De facto EPL (flexible)	Decrease likelihood	-	Argentina, Bolivia, Brazil, El Salvador, Nicaragua, Paraguay, Peru, Uruguay
Electoral democracy	De facto collective bargaining (all)	Decrease likelihood	-	Colombia, Peru

In conclusion, Model 2 reveals that the main factors that increase the likelihood of labor relations reform were generally lacking in Latin America between 2000 and 2012 (see Table 11). Conversely, the factors that constrained labor reform were more prevalent during this period. First, I find that electoral democracy and inflation are the main drivers of de jure EPL reform. However, Peru, Colombia, and Argentina were the only countries that experienced de jure EPL reforms influenced by these factors. Separately, changes in de facto collective bargaining driven by more programmatic party linkages and increases in rule of law were more frequent. My findings show that changes in the political and institutional environment have made de jure EPL reform hard to achieve but have provided

fertile ground for changes in de facto collective bargaining. I conclude that the prevalence of changes to de facto collective bargaining and the shortage of de jure EPL reform is evidence that the political and institutional environment has provided actors with greater opportunities to pursue institutional drift and/or layering and fewer opportunities for displacement and/or layering.

Second, I find that more programmatic party linkages decreased the likelihood of de jure EPL reform; trade and left-leaning executives diminished the likelihood of de facto EPL reform; and electoral democracy reduced the likelihood of changes to de facto collective bargaining. The pervasiveness of these factors in Latin America between 2000 and 2012 contributed to the decline in labor relations reform – for both de jure and de facto reforms – during this period.

Sufficient Conditions for Labor Relations Reform

In order to test whether any individual or conjunction of explanatory factors are necessary or sufficient conditions for labor relations reform I use the direct calibration approach to transform my panel data set into a data set compatible with the fsQCA 2.0 software. The direct calibration approach requires the specification of three qualitative breakpoints (full and non-membership values and a cross-over point value) that structure interval-scale variables into a fuzzy set (see Appendix 1). I test the necessity and sufficiency of political and institutional explanatory factors on the outcomes of protective hiring and firing regulations reform and centralized collective bargaining reform separately. Consistency indicates the degree to which an explanatory factor is an empirically necessary or sufficient condition for the outcome, protective labor relations

reform. Coverage measures how much of the outcome can be explained by the specified conditions.

By isolating the individual conditions and/or conjunctions of conditions that explain protective labor reform I can then observe whether these conditions are abundant or lacking in Latin America. The ability to conclude that certain necessary or sufficient conditions for labor reform are lacking would help explain the decline in labor reform in Latin America between 2000 and 2012. Additionally, these findings would suggest whether states are “missing” certain political or institutional conditions that would increase labor reforms.

I	F	T	L	R	D	number	outcome	raw consistency	PRI consistency	SYM consistency
1	0	0	0	0	0	2	1	0.721423	0.540504	0.540503
1	0	1	0	0	0	1	1	0.717296	0.517242	0.517242
0	0	0	0	0	0	2	1	0.701432	0.395445	0.395445
0	0	0	0	0	1	2	0	0.688129	0.378758	0.378758
0	1	0	0	0	0	3	0	0.667227	0.385094	0.385094
1	0	0	0	1	0	3	0	0.619584	0.408575	0.408575
1	1	1	0	1	0	2	0	0.559208	0.278295	0.278294
1	0	0	0	1	1	17	0	0.53296	0.388839	0.390348
1	0	1	0	1	1	22	0	0.502805	0.35086	0.350861
0	1	1	0	1	0	1	0	0.475188	0.218213	0.218214
0	1	0	0	1	1	17	0	0.437384	0.255456	0.255456
1	1	0	0	1	1	12	0	0.433637	0.248319	0.248319
0	0	0	0	1	1	11	0	0.41681	0.220534	0.220839
0	1	1	0	1	1	41	0	0.414995	0.274921	0.275853
1	1	1	0	1	1	30	0	0.387581	0.239884	0.239884
0	0	1	0	1	1	30	0	0.380022	0.190915	0.192694

Note: a sufficient conjunction of conditions requires a consistency threshold ≥ 0.75 and a necessary conjunction of conditions requires a consistency threshold ≥ 0.9 . I employed an adjusted consistency threshold of .70 to facilitate the fsQCA standard analysis because de jure EPL reform was not a very common occurrence. I is executive ideology, F is foreign direct investment (FDI), T is trade, L is party linkages, R is union repression, D is electoral democracy, and the tested outcome is labor relations reform. The raw consistency level is the preferred consistency score to consider in fsQCA.

Table 12 shows that 196 of 204 cases, reflect 16 different configurations of conditions, sets, that led to de jure EPL reform in Latin America between 2000 and 2012. Furthermore, only three of the 16 sets of conditions, which represent five cases, reported consistency scores above the adjusted sufficiency consistency threshold of 0.7. Therefore, the sets with a 1 in the outcome column reflect the conjunctions of conditions that are sufficient to cause de jure EPL reform. Three variants of the consistency measure are provided: raw, pri, and sym. The raw consistency level is the preferred consistency score to consider in fsQCA (Ragin 2008).

Table 13: Model 3 - fsQCA truth table algorithm for de facto EPL change in Latin America: 2001-2012. (n=204)										
I	F	T	L	R	D	number	outcome	raw consistency	PRI consistency	SYM consistency
0	0	0	0	0	0	2	1	0.9182	0.825708	0.825708
0	0	0	0	0	1	2	1	0.892354	0.774737	0.774737
0	1	0	0	0	0	3	1	0.887395	0.753223	0.753223
1	0	1	0	0	0	1	1	0.879719	0.75666	0.758007
0	0	0	0	1	1	11	1	0.868067	0.811423	0.811423
1	0	0	0	1	0	3	1	0.854249	0.716009	0.716009
1	0	0	0	0	0	2	1	0.850974	0.711948	0.711947
0	1	1	0	1	0	1	1	0.849543	0.735149	0.735151
0	1	0	0	1	1	17	1	0.845449	0.773196	0.780897
1	1	1	0	1	0	2	1	0.835694	0.644172	0.646552
0	0	1	0	1	1	30	1	0.835314	0.772834	0.780758
1	1	0	0	1	1	12	1	0.814927	0.670277	0.671894
1	0	1	0	1	1	22	0	0.780125	0.658986	0.658986
0	1	1	0	1	1	41	0	0.772153	0.697597	0.710263
1	0	0	0	1	1	17	0	0.753034	0.602638	0.610695
1	1	1	0	1	1	30	0	0.737905	0.594477	0.602923

Note: a sufficient conjunction of conditions requires a consistency threshold ≥ 0.75 and a necessary conjunction of conditions requires a consistency threshold ≥ 0.9 . I employed a .80 threshold to facilitate the fsQCA standard analysis because de facto EPL change was a relatively common occurrence. I is executive ideology, F is foreign direct investment (FDI), T is trade, L is party linkages, R is union repression, D is electoral democracy, and the tested outcome is labor relations reform. The raw consistency level is the preferred consistency score to consider in fsQCA.

Similarly, Table 13 shows that 196 of 204 cases, reflect 16 different configurations of conditions, sets, that led to de facto EPL change in Latin America between 2000 and 2012. 12 of the 16 sets of conditions, which represent 86 cases, reported consistency scores above the adjusted sufficiency consistency threshold of 0.8. Considerably more sets of conditions and cases are included in the analysis of de facto EPL change when compared to the analysis of de jure EPL reform because countries experienced de facto EPL change at greater frequencies when compared to de jure EPL reform. Between 2000 and 2012, the data show that there were 83 country-years of de facto EPL change and 37 country-years of de jure EPL reform, based on a fuzzy-set score of 0.9 or greater. The latter is evidence that the political and institutional environment in Latin America between 2000 and 2012 was not conducive to de jure EPL reform.

Table 14: Model 3 - fsQCA intermediate solution - sufficient conjunctions of conditions for de jure EPL reform in Latin America: 2000-2012. (n=204)	
Solution term	$\sim D * \sim R * \sim F$
Conditions entered	I, F, T, L, R, D
Ideal type	$\sim D * \sim R * \sim F$
Solution consistency	0.635
Solution coverage	0.173

Note: a sufficient conjunction of conditions requires a consistency threshold ≥ 0.75 and a necessary conjunction of conditions requires a consistency threshold ≥ 0.9 . I employed an adjusted consistency threshold of .70 to facilitate the fsQCA standard analysis because de jure EPL reform was not a very common occurrence. I is executive ideology, F is foreign direct investment (FDI), T is trade, L is party linkages, R is union repression, D is electoral democracy, and the tested outcome is labor relations reform. \sim marks the inverse of a given explanatory factor. $*$ is the logical and. The raw consistency level is the preferred consistency score to consider in fsQCA.

Table 14 shows the intermediate solution of the standard analysis of de jure EPL reform from the fsQCA 2.0 software. The intermediate solution is the conventional solution that is interpreted when identifying sufficient conjunctions of conditions because it incorporates counterfactuals that are assumed to be redundant (Ragin 2008). Table 14

reveals that only one set of conditions approximates a sufficient conjunction of conditions for de jure EPL reform: $\sim D * \sim R * \sim F$. This means that the combination of low electoral democracy, high union repression, and low FDI arguably cause de jure EPL reform. However, the solution's consistency score of 0.64 does not meet the standard consistency threshold of ≥ 0.75 to prove sufficiency. Nonetheless, I argue that my model's consistency score is sufficiently high to argue for sufficiency because high consistency scores are difficult to obtain when few cases exhibit the outcome being analyzed, de jure EPL reform (see Ragin 2008). Additionally, the identified solution is present in 17.3 percent of cases that experienced de jure EPL reform. The low consistency and coverage scores lessen the explanatory power of my solution and its ability to serve as a valid causal configuration for de jure EPL reform.

Furthermore, these findings contradict those from Model 2 because increasing levels of electoral democracy were found to raise the likelihood of de jure EPL reform. Similarly, Model 2 finds that increasing FDI improved the likelihood of protective de jure EPL reform. Additionally, the empirical literature suggests that electoral democracy and increased FDI promote protective labor reforms (Murillo et al. 2011; Ronconi 2012). However, the calibrated fuzzy set data show that lower levels of electoral democracy and low levels of FDI were related with higher levels of de jure EPL reform. On the other hand, high levels of union repression may lead to de jure EPL reform because union repression enables the state to push through flexible labor reforms with minimal contestation (see Murillo 2001; Cook 2007).

Table 15 shows the intermediate solution of the standard analysis of de facto EPL change. Table 15 indicates that three sets of conditions can be considered ideal types for

the conditions that are sufficient for de facto EPL change: $\sim D$; $\sim I * \sim F$; and $F * \sim T * \sim R$. The latter can be interpreted to mean that de facto EPL change is caused by either low levels of electoral democracy; right-leaning executives combined with low levels of FDI; or high levels of FDI in conjunction with low levels of trade and union repression. Each of these ideal types have consistency scores above the threshold of sufficiency, ≥ 0.75 . furthermore, each type is present in about 30 percent of all cases that experienced de facto EPL change between 2000 and 2012. Therefore, the reported solutions are valid causal configurations that are sufficient to bring about de facto EPL reform.

Table 15: Model 3 - fsQCA intermediate solution - sufficient conjunctions of conditions for de facto EPL change in Latin America: 2000-2012. (n=204)			
Solution term	$\sim D + \sim I * \sim F + F * \sim T * R$		
Conditions entered	I, F, T, L, R, D		
Ideal type	$\sim D$	$\sim I * \sim F$	$F * \sim T * R$
Consistency	0.793	0.810	0.807
Raw coverage	0.303	0.293	0.353
Unique Coverage	0.076	0.099	0.124
Solution consistency	0.760		
Solution coverage	0.566		

Note: a sufficient conjunction of conditions requires a consistency threshold ≥ 0.75 and a necessary conjunction of conditions requires a consistency threshold ≥ 0.9 . I employed a .80 threshold to facilitate the fsQCA standard analysis because de facto EPL change was a relatively common occurrence. I is executive ideology, F is foreign direct investment (FDI), T is trade, L is party linkages, R is union repression, D is electoral democracy, and the tested outcome is labor relations reform. \sim marks the inverse of a given explanatory factor. $*$ is the logical and. The raw consistency level is the preferred consistency score to consider in fsQCA.

These configurations reveal the political and institutional configurations that foster de facto EPL change in Latin America between 2000 and 2012. First, low levels of electoral democracy are sufficient for de facto EPL change. This finding suggests that low levels of electoral democracy make de jure EPL reform difficult and instead foster de facto EPL change. The latter is suggested by my findings in Model 2 that electoral democracy

increases the likelihood of de jure EPL reform. I contend that low levels of electoral democracy provide actors with limited opportunities to impact legislative reform because the institutional structure does not promote accountability and responsiveness among elected officials. As a result, these actors find ways to pursue their material interests by influencing the enforcement and compliance of institutions through drift and conversion.

Second, right-leaning executives and low levels of FDI cause de facto EPL change because these conditions foster the continuation and expansion of the neoliberal policies of the 1990s with lessened international pressure. De jure EPL reforms were made increasingly flexible by right-of-center executives during the 1990s (Murillo et al. 2005). While little is known about the orientation de facto EPL during this period it can be assumed that the encompassing nature of the neoliberal project during this period also increased de facto EPL flexibility. Therefore, in the absence of MNCS demanding greater and more even enforcement of existing labor regulations right-leaning executives likely pursued the increased commodification of labor by lowering labor enforcement (see Ronconi 2012). This argument is supported by Model 2's finding that right-leaning executives increase the likelihood of flexible de facto EPL change.

Lastly, high levels of trade combined with low levels of trade and union repression combine to produce de facto EPL change. This configuration suggests that the presence of MNCS and unions with access to policymaking where trade is low enables protective de facto EPL change. This configuration is in line with the literature that concludes that MNCS and incorporated unions demand more protective labor relations (Ronconi 2012; Cook 2007). Model 2 also finds that low levels of trade increase the likelihood of protective de facto EPL change.

Table 16 indicates that 196 of 204 cases, reflect 16 different configurations of conditions (sets), that led to centralized collective bargaining change in Latin America between 2000 and 2012. Furthermore, nine of the 16 sets of conditions, which represent 33 cases, reported consistency scores above the adjusted sufficiency consistency threshold of 0.80.

Table 16: Model 3 - fsQCA truth table algorithm for de facto collective bargaining change in Latin America: 2000-2012. (n=204)

I	F	T	L	R	D	number	outcome	raw consistency	PRI consistency	SYM consistency
0	0	0	0	0	0	2	1	0.940695	0.823708	0.823708
0	0	0	0	0	1	2	1	0.927565	0.784431	0.808642
0	1	0	0	0	0	3	1	0.915126	0.762911	0.762911
1	1	1	0	1	0	2	1	0.881587	0.701002	0.701002
1	0	1	0	0	0	1	1	0.852502	0.667984	0.667984
1	0	0	0	0	0	2	1	0.849281	0.672795	0.672794
0	1	1	0	1	0	1	1	0.828503	0.641195	0.641196
1	0	0	0	1	0	3	1	0.823298	0.61754	0.61754
0	1	0	0	1	1	17	1	0.810323	0.655574	0.670828
0	0	0	0	1	1	11	0	0.791595	0.625155	0.63499
1	1	1	0	1	1	30	0	0.756534	0.596138	0.60655
0	0	1	0	1	1	30	0	0.753537	0.610988	0.614279
1	0	1	0	1	1	22	0	0.741169	0.571819	0.576225
0	1	1	0	1	1	41	0	0.711977	0.56805	0.587081
1	1	0	0	1	1	12	0	0.695373	0.425112	0.425112
1	0	0	0	1	1	17	0	0.669728	0.451226	0.451472

Note: a sufficient conjunction of conditions requires a consistency threshold ≥ 0.75 and a necessary conjunction of conditions requires a consistency threshold ≥ 0.9 . I employed a .80 threshold to facilitate the fsQCA standard analysis because de facto collective bargaining change was a relatively common occurrence. I is executive ideology, F is foreign direct investment (FDI), T is trade, L is party linkages, R is union repression, D is electoral democracy, and the tested outcome is labor relations reform. The raw consistency level is the preferred consistency score to consider in fsQCA.

Table 17 shows the intermediate solution of the standard analysis of de facto collective bargaining change. Table 17 reveals that the three ideal types of sets of conditions explaining de facto collective bargaining change: $\sim R$; $\sim D$; and $\sim I * F * \sim T$. This

means that de facto collective bargaining change is caused by either high levels of union repression; low levels of electoral democracy, or the combination of right-leaning executives with high levels of FDI and low levels of trade.

As with the Model 3 findings on de facto EPL, low levels of electoral democracy likely signal that de jure labor reforms are constrained and that de facto changes are incentivized. Conversely, high levels of union repression suggest that the state can pursue the commodification of labor by both de jure and de facto approaches with relatively ease given the fragmented nature of unions (see Cook 2007). Lastly, the configuration of right-leaning executives with high levels of FDI and low levels of trade implies that right-leaning executives that traditionally favor flexible labor policies are able to implement the de facto decentralization of collective bargaining because MNCs benefit from less powerful unions where trade is low.

Table 17: Model 3 - fsQCA intermediate solution - sufficient conjunctions of conditions for centralized collective bargaining change in Latin America: 2000-2012. (n=204)			
Solution term	$\sim R + \sim D + \sim I * F * \sim T$		
Conditions entered	I, F, T, L, R, D		
Ideal type	$\sim R$	$\sim D$	$\sim I * F * \sim T$
Consistency	0.813	0.790	0.785
Raw coverage	0.173	0.349	0.254
Unique Coverage	0.005	0.121	0.088
Solution consistency	0.759		
Solution coverage	0.445		

Note: a sufficient conjunction of conditions requires a consistency threshold ≥ 0.75 and a necessary conjunction of conditions requires a consistency threshold ≥ 0.9 . I employed a .80 threshold to facilitate the fsQCA standard analysis because de facto collective bargaining change was a relatively common occurrence. I is executive ideology, F is foreign direct investment (FDI), T is trade, L is party linkages, R is union repression, D is electoral democracy, and the tested outcome is labor relations reform. \sim marks the inverse of a given explanatory factor. * is the logical and. The raw consistency level is the preferred consistency score to consider in fsQCA.

In conclusion, Model 3 provides limited evidence explaining the de jure decline in labor relations reform in Latin America between 2000 and 2012. However, Model 3 does provide ample causal evidence for de facto EPL and collective bargaining changes during this period. In particular, Model 3 suggests that low levels of electoral democracy and right-leaning executives largely facilitate de facto labor changes. While the analysis on de jure reforms is limited due to consistency scores below the sufficiency threshold, it does suggest that the configuration of low levels of electoral democracy, high union repression, and low FDI influence de jure reforms. The latter indicates that there are similarities across the political and institutional conditions that bring about both de jure and de facto reforms.

However, Model 3 findings suggest that a decline in the sufficient conditions that cause labor relations reform – evidenced by the low coverage levels observed among the sets of conditions that cause labor relations reform – may be facilitating the decline in labor reform in Latin America in the 21st century. In particular, the reduction in countries with low electoral democracy, low trade, high levels of union repression, and right-leaning executives between 2000 and 2012 likely contributed to the decline in labor relations reform.

Furthermore, Model 3 suggests that my hypotheses H_2 , H_3 , and H_5 are rejected. First, executives with right-leaning ideologies are sufficient conditions for de facto EPL and collective bargaining changes, as opposed to leftist executives. Second, low levels of FDI caused de jure and de facto EPL changes although I predicted that high levels of FDI would increase the likelihood of labor reforms. Lastly, high levels of union repression are sufficient conditions to de jure EPL reform and de facto collective bargaining, contrary to my assumption that low levels of union repression raised the possibility of labor reform.

The role of electoral democracy in shaping all dimensions of labor relations reform is of note given that the empirical literature has not uncovered a significant relationship between electoral democracy and labor relations reform in Latin America. However, the analytic narrative in the next section will elucidate the causal factors, including electoral democracy, that shape labor relations reform.

Table 18: Model 3 Summary Findings		
Conditions	Labor relations reform	Country examples
Low electoral democracy, low FDI, high union repression	De jure EPL	Venezuela
Low electoral democracy	De facto EPL, de facto collective bargaining	Venezuela, Colombia
Right-leaning executives, low FDI	De facto EPL	Guatemala, El Salvador
High FDI, low trade, low union repression	De facto EPL	Chile
High union repression	De facto collective bargaining	Colombia
Right-leaning executives, high FDI, low trade	De facto collective bargaining	Colombia

Analytic Narratives

This section provides narrative case studies of Chile and Brazil in order to explain how the political and institutional conditions shaping labor relations reform have changed over time. In particular, this section seeks to couple the quantitative analysis of the earlier sections in this chapter with a rich description of the growing importance of electoral democracy in Latin America. The cases of Chile and Brazil were chosen because they represent countries with active labor reform legacies that have experienced declines in labor reform activity during the 2000s. Additionally, these cases closely approximate the

broader relationship between democracy and EPL reform in Latin America between 2000 and 2012 (see Chapter 3).

Chile

Chile's earliest codified labor laws were the 1924 Social Laws. The Social Laws encompassed both individual and collective labor laws, EPL and collective bargaining respectively. First, the EPL dimension regulated work contracts and the employment of women and children; established a social security fund financed through payroll deductions; and created a workers' compensation fund (Carnes 2014: 105). The Social Laws also provided white-collar workers, *empleados*, with yearly bonuses based on profit sharing, a 48-hour work week, a guaranteed written contract, and the right to a dismissal payment. However, blue-collar workers, *obreros*, did not receive any of these additional benefits (Angell 1972: 67). Second, the collective labor law dimension regulated worker cooperatives and labor dispute settlement practices; set collective bargaining at the firm level; and differentiated craft-based professional unions from plant-based industrial unions (Carnes 2014: 105). In 1931, General Carlos Ibanez transformed the Social Laws into Chile's first Labor Code. The new Labor Code was intended to set legal limits on union activity and institutionalize the fragmentation, and thereby repression, of unions (DeShazo 1983: 242).

Between 1931 and 1970, the 1931 Labor Code continued to fragment unions and divide workers. This period was characterized by protective EPL and decentralized collective bargaining legislation that largely benefited a privileged professional class at the expense of blue-collar workers and a unified labor movement (Carnes 2014: 107). In fact,

for much of this period unions lacked a unified voice when communicating labor demands to government due to ideological and partisan divisions that arose from their initial fragmentation (Carnes 2014: 108). Additionally, the lack of sanctions for employers that violated labor laws allowed employers to undermine union efforts and provided employers with greater capacity to influence policy, relative to fragmented unions (Cook 2007: 108).

Political and institutional conditions associated with Chile's labor relations between 1930 and 1971 can be characterized as having strong veto possibilities and high levels of discretion in enforcement. This means that the state had the capacity to dismiss proposed changes to labor relations while also allowing for the flexible enforcement of extant labor codes. These conditions provide opportunities for parasitic symbiotic change agents to pursue institutional change through institutional drift (see Mahoney and Thelen 2010: 28). Parasitic symbionts are interested in preserving the general orientation of formal institutions but strategize to leverage gaps in enforcement to further their interests. This is evident in employers' strategy to violate labor laws with impunity so that they may increase the flexibility of already flexible formal labor relations.

The Chilean government's repression of unions began to erode in 1966 during the administration of Eduardo Frei Montalva, who was elected in 1964. In 1966, Frei introduced the Immobility Law (*Ley de Inamovilidad*, Decreto Let 2,200), which provided all workers with severance payments and required just cause for the dismissal of workers (Sehnbruch 2006: 53). The shift away from labor repression was cemented when Salvador Allende Gossens became president in 1970 and formalized a link with the Unitary Workers' Confederation (*Central Unitaria de Trabajadores—CUT*). The decline in the state's ability and willingness to suppress protective labor reforms now provided an environment

conducive to the displacement of extant labor laws as insurrectionary change agents now had the opportunity to pursue transformation labor reforms.

In 1970, the Allende administration enhanced both EPL and collective bargaining protections, mainly through decrees (Cook 2007: 109). First, Allende increased wage levels and pension payments in order to increase job security. Second, he provided the CUT with legal recognition; enabled the registration of new unions and the development of labor federations and confederations; and upheld union rights to collective bargaining and strikes (Carnes 2014: 111). While the Allende administration sought to transform Chilean labor relations as part of their broader state interventions (including the nationalization of manufacturing and copper sectors), it also attempted to achieve a strong base of electoral support (Carnes 2014). Historically repressed labor unions now served as insurrectionary change agents that pressured the government to drastically improve EPL and collective bargaining.

In the three years that Allende was in power union membership rose and the centralization of unions increased. Allende's approach to labor relations reform was defined by the pursuit of expansive individual and collective labor rights that broke sharply with Chile's legacy of union repression and worker division. However, Allende's labor reforms were largely undermined by rising inflation and the persistence of divisions within the labor movement (Carnes 2014: 111). Additionally, the military junta of General Augusto Pinochet in 1973 deposed Allende and sought to undo Allende's labor reforms.

The Pinochet government was repressive toward unions and systematically attempted to repeal protective labor reforms because it wanted to root out the base of support for the Allende administration (Murillo 2005; Carnes 2014). Pinochet, and the

neoliberal technocrats, the Chicago Boys, sought to replace the statist clientelism of the Allende administration with labor market flexibility that involved the commodification of labor and repression of unions (Alemán 2014: 116). First, Pinochet issued decrees denying collective bargaining rights; banning the CUT as well as national labor federations; sanctioning collective actions; voiding all existing employment contracts; and eliminating minimum wage regulations, (Alemán 2014; Drake 1996). Second, in 1979 Pinochet implemented the *Plan Laboral*, which restricted labor organizing and collective bargaining rights and reduced firing costs in order to atomize workers (Carnes 2014: 113; Alemán 2014: 117). The critical components of the *Plan Laboral* were Decree Laws 2,756 and 2,758, which regulated union formation and collective bargaining, respectively. These decrees lowered the threshold for union formation in order to increase union competition and fragmentation and once again restricted collective bargaining to the firm level (Sehnbruch 2006: 55). Additionally, Decree Law 2,200 reduced the cost of firing workers by enabling employers to unilaterally restructure employment contracts to facilitate dismissals without just cause, as in the case with economic redundancy (Carnes 2014: 114).

The labor reforms of the Pinochet government were representative of the market-based policies of the regime that sought to depoliticize policymaking and eliminate clientelistic rents (Alemán 2014: 117). Like Allende, Pinochet pursued deep and transformative labor relations reform. However, unlike Allende, Pinochet's policies were ideologically driven by a market-based logic and not class-based political and social considerations. The labor reforms of the Pinochet military regime led to the decline of union membership and deepened the fragmentation of the labor movement. Additionally,

they led to rampant unemployment, wage declines, and increasing inequality (Barrett 2001).

The Pinochet military junta was itself an insurrectionary change agent. Like labor unions that capitalized on the decline of veto possibilities in the 1960s, Pinochet was able to take advantage of a change in the political environment to usurp and displace the labor policies of the Allende era. Furthermore, Pinochet instilled a political and institutional environment that limited the potential of labor reform by imposing strong veto possibilities and low levels of institutional discretion. This meant that the main type of institutional change afforded to would-be change agents was layering, the process of amending new rules to the status quo. Flexibility in the enforcement and compliance with labor laws was drastically limited through the use of sanctions. This political and institutional environment benefited actors that wanted to formally expand the flexibility of labor relations while making protective reforms extremely difficult to implement.

By 1980, a political movement toward democratization involving labor strikes and mass protests had emerged and increasingly pressured Pinochet to participate in free and open elections (Alemán 2014: 120). The latter was a direct reflection of the frustrations of workers and unions over their inability to implement protective labor reform, *de jure* or *de facto*. In 1988, Pinochet lost a plebiscite denying him an additional term in office. In 1990, Chile returned to democracy after Patricio Aylwin of the Concertación de Partidos por la Democracia governing coalition, led by the Christian Democrats (Partido Demócrata Cristiano–PDC), won the 1989 presidential election. The 1989 election led to the development of three main political parties in Chile: the right-leaning Renovación Nacional-Union Demócrata Independiente (RN-UDI); the center-left Concertación; and

the left-leaning Partido Comunista de Chile. However, in effect, the conservative RN-UDI and the center-left Concertación were the main governing parties (Alemán 2014: 121). Unlike the RN-UDI, the Concertación was sympathetic to labor demands but was nonetheless committed to minimal state intervention in the relationship between workers and employers (Alemán 2014: 122).

Since 1990, the Concertación held the view that the role of government in labor relations was to enforce labor law compliance and allow workers and employers to independently define labor policy (Alemán 2014: 122). In particular, Aylwin was committed to promoting political stability, economic growth, and equity while still maintaining autonomy (Cortázar 1993:44). The latter approach largely reflected the administration's response to employer fears, especially in the Confederación de Producción y Comercio (CPC), that a left-leaning government would revert to the protective labor policies of the Allende administration and to the political reality that conservative policymakers controlled the Senate (Carnes 2014: 117). Unlike Allende and Pinochet, Aylwin believed that government intervention in labor relations would lead to political and social instability. Therefore, Aylwin, and future Concertación leaders, refrained from assertively pursuing labor relations reform and favored labor reforms that were driven by independent political compromises of workers and employers. However, this approach largely discounted the contentious relationship between labor and employers and the Pinochet labor reforms that had weakened and fragmented the labor movement. Nonetheless, the Aylwin administration did implement a series of protective labor reforms through the adoption of a Framework Accord in 1990 that increased minimum wages and severance payments; enabled the formation of national-level labor federations and

confederations; legalized the CUT; and removed Pinochet-era legislation repression union activities (Carnes 2014: 117).

During the Aylwin administration labor reforms reflected the compromises between the CUT and CPC, which largely meant labor's acquiescence to market policies that favored employers (Cook 2007: 132). In 1991, Aylwin implemented labor reforms that enabled industry-level collective bargaining, increasing union membership without enhancing their bargaining power and maintaining the worker atomizing elements of the *Plan Laboral* (Barrett 2001: 567). Labor saw reforms as insufficient to reverse the institutionalized union repression of the Pinochet era and mobilized public sector strikes to demand more transformative labor reforms (Alemán 2014: 125). However, strikes were typically short-lived and turnout was relatively low due to the institutional weaknesses of the labor movement. The CPC perceived labor strikes as threats to property rights and hardened their negotiating stance against labor. The conservative senate, largely sided with the CPC and was not committed undo the *Plan Laboral* and expand union rights (Cook 2007: 130). By 1994, the final year of the Aylwin administration, the CUT had withdrawn from tripartite negotiations and intensified strike activity (Alemán 2014: 127). The Concertación's commitment to political stability and economic growth had alienated unions by not addressing their grievances and had empowered employers to secure negotiating leverage over workers.

The Aylwin administration largely inherited a political and institutional environment where the state's strong veto power and the low levels of institutional discretion limited actors' strategies to achieve labor reform. As an extension of the political and institutional environment under the Pinochet regime, the main avenue for labor reform

continued to be institutional layering. This meant that while workers and unions now had a regime that was less repressive toward unions, the process of labor reform was generally the same as in the previous regime. This dynamic resulted in the continued inability of workers and unions to pursue transformative protective labor reforms because institutional displacement was limited and employers were effectively leveraging political and institutional conditions to further the flexibilization of labor. This was the governing trend for labor relations reform in Chile throughout the 1990s and into the 21st century.

In 1994, Eduardo Frei Ruiz-Tagle succeeded Aylwin as Chile's president, also representing the Concertación. Initially, Frei implemented legislation that enabled the unionization of public workers and expanded the right to unionization and collective bargaining but failed to push through additional reforms in 1995 and 1997 (Cook 2007: 132). However, because union demands for the establishment of an unemployment insurance program were largely dismissed by the Frei administration, the CUT once again distanced itself from the Concertación. In fact, unions mobilized some of the largest strikes, especially among public sector workers, during the Frei administration. In response to worker strikes and the upcoming election, Frei attempted additional labor reforms in 1999 that were rejected by the Senate (Alemán 2014: 127). As a result of the inability of the Concertación to address labor demands union support increasingly shifted toward the Communist Party (Cook 2007: 133).

In 2000, Ricardo Lagos assumed the Chilean presidency, representing the socialists of the Concertación. In addition, the 1999 election provided the Concertación with a majority in the Senate. In 2000, Lagos ratified several ILO conventions and began to develop a labor reform package addressing part-time and temporary contracts and flexible

work schedules. Rising levels in unemployment and inflation, increased strike activity among unions, and international pressures from the ILO and the U.S. – who were negotiating a trade deal with Chile – led to increasing pressures to improve labor conditions (Cook 2007: 136; Frundt 1998: 95). The 2001 labor reforms doubled the amount of labor inspectors and expanded the authority of the Labor Directorate in investigating and adjudicating labor violations (Cook 2007: 137). The increase in labor inspectors supports the view that Chile has low levels of institutional discretion, which enables labor enforcement to effectively implement extant labor laws.

Additionally, the reforms increased employer costs of replacing workers on strike, strengthened union formation, and enabled the implementation of an unemployment insurance program (Cook 2007: 138). However, high levels of unemployment and a low minimum wage influenced the CUT to mobilize its 640,000 members in a general strike in 2003. Moreover, the strikes represented growing union frustration with the Concertación's inability to enact transformative labor reforms that negated the *Plan Laboral* and the market-friendly, and non-interventionist, ideology that guided policymaking during prior Concertación administrations. In 2005, the CUT declared its autonomy from the Concertación government.

In 2006, Michelle Bachelet won the presidency, also representing the Socialist Party wing of the Concertación. Similar to her predecessors of the Concertación, Bachelet attempted labor reforms in 2006 providing EPL protections to informal and subcontracted workers but her reforms were largely undermined by the Senate (Cook and Bazler 2013: 13). Additionally, in 2007, Bachelet established multipartite negotiations through an advisory council. However, the council's inability to respond to labor demands and address

striker replacement and centralized collective bargaining furthered distanced the CUT. For labor, the Bachelet administration represented the continuation of government labor policies that affirmed the institutional constraints on collective bargaining of the Pinochet era. In subsequent years, Bachelet increased minimum wages and expanded labor enforcement resources but largely failed to achieve collective bargaining reforms (Cook and Bazler 2013: 14).

In 2010, Sebastián Piñera of the right-leaning RN-UDI won the presidency and the expansion of labor protections were not a focus of the administration. Instead, Piñera sought to deepen the market-friendly policy orientation of previous years. In 2013, Bachelet regained the presidency but the distanced relationship with unions persisted. As a result, the likelihood of transformative protective labor relations reform continued to be elusive.

The case of Chile shows that political and institutional legacies matter because they largely inform union's abilities to implement transformative labor reforms. Veto possibilities and institutional discretion, shaped by the political and institutional environment, effectively influence the type of labor reform that is possible. In Chile, the extension of electoral democracy overlaid on a deep history of union repression meant that unions' ability to decommodify labor conditions and enhance collective bargaining was severely limited by the presence of a status quo that became further entrenched as electoral democracy was deepened.

Equally important, Chile shows that left-leaning executives, and insurrectionary change actors in general, can implement transformative institutional change if political and institutional conditions allow. The Allende administration broke from traditional legacies

of labor repression and enacted transformative labor reforms that shifted the balance of power away from employers and toward workers. The latter is also true for right-leaning executives that seek to transform labor legacies toward the increased flexibilization and commodification of labor, as with the Pinochet regime. However, the political and institutional environment ultimately influences whether insurrectionary agents can be successful. Between 2000 and 2012, political and institutional conditions empowered the status quo at the expense of agents seeking transformative labor reform, workers and unions.

In the 1990s and 2000s, Chile's center-left and then left-leaning executives from the Concertación generally preserved the *Plan Laboral*. The Concertación was not committed to transforming labor relations like their predecessors. Instead, they depended on the dynamics of electoral democracy to facilitate the emergence of labor relations reforms that workers and employers supported. However, electoral democracy largely led to stalemates between workers and employers and modest reforms. Additionally, this approach reaffirmed the flexibilization policies of the Pinochet regime that had weakened Chile's labor movement. The Concertación government enacted numerous protective EPL reforms and modest collective bargaining reforms while maintaining the infrastructure of the *Plan Laboral*. Although the Concertación was sympathetic to labor, their refusal to directly intervene in the worker-employer relationship was by default a prioritization of support for the business community and the commodification of labor. The Concertación government would justify their mild support for the labor movement as a tradeoff to maintain political stability after democratization. Despite the protective EPL reforms of the 2000s, "collective bargaining remained decentralized, interenterprise bargaining continued

to face obstacles, and non-union bargaining groups were still used to undercut unions in workplace bargaining” (Cook and Bazler 2013: 12).

The case of Chile accurately depicts the distributional conflict associated with labor relations, especially under the condition of high levels of electoral democracy. Interestingly, the inability of unions to secure a privileged position in policymaking has led to increased union fragmentation and less political loyalty to the Concertación coalition (Frank 2004). In turn, this development may lead to the continued decline of labor’s ability to promote protective labor reforms. Nonetheless, leftist governments do tend to prefer protective labor relations but their policies, as in the case with Chile, may be modest in scope.

Brazil

The revolution of 1930 inaugurated the authoritarian government of Getúlio Vargas. In 1931, Vargas issued Decree 19,770 which incorporated unions in Brazil as the Brazilian economy experienced industrialization. The Vargas regime established a ruling elite that enabled the state to set labor policy unilaterally and restrained interest groups (workers, employers, churches, etc.) by absorbing them into a corporatist pact (Cardoso 1978: 112). In 1937, Vargas entered the *Estado Novo* phase of his dictatorship, which would involve deeper state intervention in labor and industrial relations (Pichler 2005: 51).

In 1943, Vargas implemented a labor code, the Consolidation of Labor Laws (Consolidação das Leis do Trabalho), which required that unions and employer associations register with the Ministry of Labor in order to legally participate in collective bargaining (Pichler 2005: 51). The registration requirement mandated that unions and

employer associations support government stances that promoted social solidarity and that these organizations would abstain from engaging in political party activities (Pichler 2005: 59). Unions that registered with the Ministry of Labor did benefit from receiving contributions – rents – from a compulsory union tax, *imposto sindical*, which was paid by all workers (irrespective of whether they were union members). The Vargas administration enabled recognized unions to stuff their coffers and empowered unions to develop monopolies by preventing union competition (Pichler 2005: 61). Furthermore, the Labor Laws required that all labor disputes be resolved by the state in order to prevent disruptions to the economy (Barcellos et al. 1983).

The corporatist labor regime of the Vargas administration meant that the state had strong veto possibilities and while institutions lacked low levels of discretion. This means that the state had the capacity to dismiss proposed changes to labor relations while generally forcing compliance with extant labor codes. These political and institutional conditions constrain institutional change strategies to be limited to institutional layering. Subversive change agents are likely to emerge in these conditions as they work within the status quo to amend rules that favor their interests (Mahoney and Thelen 2010: 29).

The persistence of the corporatist labor regime is expected when political and institutional conditions limit the likelihood of institutional displacement. Strong veto possibilities and low levels of institutional discretion make it unlikely that labor relations undergo wholesale change. Instead, the expected trend is one where the status quo becomes increasingly entrenched.

In 1946, democracy was restored but the authoritarian corporatist approach to labor relations persisted (Barcellos et al. 1983). The next 18 years would be characterized by

extensive state interventionism in labor relations through an institutionalized state corporatist arrangement (Siqueira-Neto 1994). In practice, unions were required to acquiesce to state development plans in return for the legal ability to organize and receive union tax contributions. In fact, the state unilaterally set employment rights and unions could not legally strike. As a result, unions were repressed, largely dependent on the state, and could not effectively demand protective labor reforms from the ruling populist parties. Nonetheless, because the populist governments sought broad working class support, EPL was generally protective during this period (Pichler 2005: 52).

Following a military coup in 1964, Brazil was under an authoritarian military regime for the next 20 years. The military regime dissolved political parties and authorized two parties: the National Renewal Alliance (Aliança Renovadora Nacional—ARENA) representing the military regime and the Brazilian Democratic Movement (Movimento Democrático Brasileiro—MDB) for the legal opposition (Pichler 2005). The authoritarian military regime heavily repressed unions and persecuted union leaders for perceived indiscretions. Additionally, the regime set wages and directed labor policy without union participation (Cardoso 1999). The military regime followed the labor regulations of the Vargas regime and maintained strict control over unions and other interest groups (Pichler 2005: 53). In particular, the Ministry of Labor was employed to control unions and resolve labor conflicts because the military restricted Labor Courts.

In 1974, General Ernesto Geisel initiated a gradual political liberalization process, *liberalização lenta e gradual*, by reducing media censorship and lessening the repression of civil society organizations (Abramo 1991: 90). The latter was largely influenced by growing support for the MDB, evidenced by the 1974 parliamentary elections; growing

social unrest and protests demanding human rights; and the development of civil society organizations that united against the authoritarian political regime (Abramo 1991). During this time, unions underwent the period of new unionism, *novo sindicalismo*, as workers mobilized to oppose the authoritarian military regime and demand rights to unionization and collective bargaining, as well as improved wages and working conditions (Rodrigues 1999: 7). This period represented a strong push by unions to achieve autonomy from the state and break from Brazil's repressive corporatist legacy.

New unionism was made possible by the weakening of veto possibilities by the state. The emergent political and institutional conditions in Brazil during this period made institutional displacement the most likely type of institutional change to occur. Displacement involves the replacement of institutional rules by insurrectionary actors (Mahoney and Thelen 2010: 28). The decline in union repression, the extension of electoral democratization, and the increased opportunities for displacement meant that labor was improving its ability to effectively contest the orientation of labor relations.

In 1979, General João Figueiredo deepened political liberalization by granting political amnesty to opposition politicians and union leaders and abolishing the two-party system (Pichler 2005: 94). In 1980, the Worker's Party (Partido dos Trabalhadores—PT) was created, combining social democrats and communists (Véras 2016). The PT would soon become Brazil's strongest political party and draw the support of unions (Cook 2007). In 1983, the Workers' Union Central (Central Única dos Trabalhadores—CUT) would emerge as the main union behind the new unionism labor movement (Pichler 2005: 107).

In 1985 democracy was restored with the election of José Sarney, leader of the Liberal Front Party (Partido da Frente Liberal—PFL). That year, Sarney established free

elections; eliminated all restraints to political party formation; abolished state control over unions; and granted the right to strike (Pichler 2005: 96). In 1988, a new constitution abolished the power of the state to interfere with employer-union relations; and provided unions with greater autonomy as well as the right to strike (Cook 2007: 68). The new constitution eliminated state intervention, the main element of the traditional state corporatist arrangement of the 1940s, but left other features of the corporatist system such as the union tax and the labor court system that could write and enforce labor laws (Cook 2007: 69). Therefore, unions were able to achieve organizational independence from the state but were still dependent on the Brazilian government, which controlled union finances and the main dispute settlement mechanism. These transformational labor reforms were examples of the institutional displacement fostered by the political and institutional environment.

In 1990, Fernando Collor de Mello was the first democratically elected president since 1960 (Pichler 2005: 96). Collor pursued an economic transition away from import-substitution industrialization (ISI) and toward export-oriented production, as well as privatization of state-owned enterprises, due to looming macroeconomic crisis and conditionality on the part of international financial institutions, particularly the International Monetary Fund (Pichler 2005: 102). However, in 1992, the National Congress impeached Collor and Itamar Franco, the vice-president took office (Pichler 2005: 97).

In 1995, Fernando Henrique Cardoso became president and immediately pursued neoliberal reforms to address the economic crisis of 1994 that triggered high inflation and the subsequent recession that eroded wages and increased unemployment (Cook 2007: 83). Cardoso furthered the privatization and trade opening policies of Collor, which led to

increasing unemployment and informal-sector employment. Additionally, by reducing manufacturing employment, Cardoso's stabilization policies led to declines in union membership and union demands for greater job security. Furthermore, the neoliberal policies of liberalization and privatization caused rising unemployment and lower average wages (Véras 2016).

Beyond economic stabilization policies, Cardoso pursued a piecemeal approach to flexible labor relations reform, *comendo pelas bordas*, which heavily weakened unions, notwithstanding union resistance (Cook 2007: 84). In particular, Cardoso employed "provisional measures" and legislative decrees to sidestep congressional opposition to his flexible labor reforms (Cook 2007: 84). In 1998, Cardoso implemented two sets of flexibility reforms that enabled employers to issue part-time contracts, dismiss workers during the economic recession, and increased flexibility in scheduling (Cook 2007: 86). Cardoso also attempted labor reforms, constitutional amendments, to abolish the union tax and labor courts. However, legislative opposition and CUT opposition averted these reforms (Cook 2007: 87). As a result, some of the core features of corporatism would persist. However, President Cardoso would later attempt additional reforms to dismantle Brazil's corporatist infrastructure in the face of continued legislative opposition (Cook 2007: 87). In effect, Cardoso broke from the traditional corporatist legacy and attempted to transform labor relations by commodifying and fragmenting labor.

Since the 1970s, Brazil's political and institution environment proved fertile for institutional displacement. In practice, this meant that actors were in pervasive active contestation over the orientation of labor relations because deep reforms were possible. In turn, each administration that governed in the 1980s and 1990s experienced a high

frequency of labor reforms, both protective and flexible. The outcome of labor reforms was largely dependent on the ability of actors and coalitions to effectively leverage political and material resources over their opponents.

Cardoso's reelection in 1998 provided him with additional time to abolish the union tax and labor courts and further increase the flexibility of labor relations (Cook 2007: 88). By 2000, Cardoso was only successful in eliminating the tripartite structure of the labor courts and streamlining labor disputes (Cook 2007: 89). Unions, like the CUT, were on the defensive for the entirety of the Cardoso presidency, fighting against the flexibilization and commodification of labor relations (Véras 2016). Unions' focus on preserving labor protections from the Cardoso administration prevented them from advocating for expanded labor protections. In turn, unions, like the CUT, shifted their political efforts away from expanding collective bargaining and toward "citizen unionism", an agenda focused on job security, democracy, and social rights. Unions' change in strategy was largely due to Cardoso's use of presidential decrees, which circumvented legislative opposition (Véras 2016).

In 2002, Luiz Inácio "Lula" da Silva, a former autoworker, union leader, and PT member, became president of Brazil. Lula sought to implement labor reforms through tripartite dialogue in order to restructure union formation, collective bargaining, union action (Cook 2007: 98). Lula formed the National Labor Forum (Fórum Nacional do Trabalho-FNT) in order to facilitate tripartite consensus for collective labor reform. In 2004, the FNT provided Lula with recommendations that would be incorporated in his proposed constitutional amendments: deregulating the level of collective bargaining, replacing the union tax with union contributions, abolishing "illegal strikes" (Cook 2007:

100). However, in 2005, disagreement over reforms; corruption scandals about the PT; and the upcoming 2006 election would derail the legislation of the proposed reforms. The consensus approach to labor relations reform was intended to use the developing democratic institutions to placate the competing forces that shape labor relations. However, like in Chile under the Concertación, Lula discounted the effect that the preceding labor repressive administration had on the labor movement. As a result, compromise between workers and employers proved difficult to forge and employers held disproportionately more negotiating power relative to unions. Nonetheless, Lula would facilitate robust job creation while increasing minimum wages and formal employment (Cook and Bazler 2013: 15).

In effect, Lula established the state as a moderator over labor conflict. This meant that while institutional discretion remained low, the state was now a strong veto actor. As a result, the most likely type of institutional change to emerge was institutional layering pursued by subversive change agents. The potential for transformative labor reform was replaced with the prospects of amending rules to the existing labor relations system. Brazil's labor relations were now predisposed toward flexibility because the labor relations system inherited by Lula was shaped by Cardoso's commodification of workers and the fragmentation of unions. Lula's desire to solidify the extension of electoral democracy through the implementation of a tripartite labor relations system had the adverse effect of weakening labor's capacity to undo the market-based labor policies of the Cardoso regime. This would sow the seeds for increasing union frustration with the PT's inability to break with the flexible labor policies of the past.

After winning reelection in 2006, Lula resumed his transformative labor reform agenda. However, legislative opposition and resistance from employers forced the Lula administration to revise proposed labor reforms. In 2008, Lula implemented a labor reform legally recognizing union centrals, which enabled unions to coordinate actions with union affiliates and represent their affiliates in tripartite forums (Cook and Bazler 2013: 18). However, the reform also relaxed regulations on union formation that led to greater union competition and the increased fragmentation of the Brazilian labor movement (Cook and Bazler 2013: 18).

For much of Lula's tenure, unionization rates would increase and the number of strikes decline, largely due to government support of unions (Cook and Bazler 2013: 18). Equally important, Lula increased labor participation in policymaking, as evident in the creation of the FNT. However, President Silva's administration would increasingly absorb union leaders, as with the CUT, into government positions. This dynamic created conflict within the labor movement and led some to believe that union leaders were not advocating for the labor reforms demanded by workers (Sluyter-Beltrão 2010). In particular, President Silva was criticized for advancing income-support programs and EPL protections at the expense of more expansive collective bargaining reforms (Cook and Bazler 2013).

The case of Brazil exemplifies how high levels of electoral democracy and a tepid commitment to transformative labor relations reform undermine union efforts to expand collective bargaining, even when a corporatist legacy is present. Lula could have pursued protective labor reforms that expanded unionization and collective bargaining rights without union dependence on the state with the same vigor that Cardoso pursued flexibilization reforms. Instead, Lula prioritized tripartite consensus in order to promote

political stability and compromise. This does not mean that Lula's government was not sympathetic to union demands. In fact, Lula's administration shows that unions have in many ways expanded their access to left-leaning presidents. However, a break from the Cardoso's market-based labor policies was limited by Lula's decision to increase the state's capacity to limit the potential for transformative labor reform. As a result, de jure labor protections were limited and most protections were crystallized in through de facto changes in enforcement and compliance.

Conclusion

My comparative study concludes that the decline in labor relations reform in Latin America between 2000 and 2012 is largely due to that role that increased electoral democracy had in shaping the political and institutional conditions associated with labor reform. My findings suggest that the development of electoral democracy in Latin America has muted, but not eliminated, the traditional political and institutional legacies that shape labor relations reform. The latter has been largely driven by the consideration of political stability during the expansion of electoral democracy in Latin America that has made governments reluctant to intervene in labor relations, unlike in previous decades. Furthermore, the political and institutional environment in Latin America during the 21st century has generally not promoted de jure EPL reforms.

Unlike previous administrations that pursued heavily interventionist labor reforms, Latin American governments in the 21st century have generally pursued tripartite and consensus building approaches to labor relations reform. Arguably, increased competition over the occurrence and direction of labor relations reform due to enhanced electoral

democracy has prevented unions from achieving the protective labor reforms they have traditionally acquired from labor-backed parties and less repressive regimes. Similarly, the flexible reforms generally pursued by right-leaning executives and employers' associations have also likely been curtailed by the political considerations of governments in Latin America and the decline of right-leaning executives. The cases of Chile and Brazil largely support my conclusion that electoral democracy, which translates into electoral considerations, has become the guiding force behind labor relations reform in Latin America during the 21st century.

Additionally, my comparative study suggests that the conditions associated with labor relations reform between 2000 and 2012 have been in short supply. For example, few countries exhibited low levels of electoral democracy, low FDI, and high levels of union repression: the conjunction of conditions associated with *de jure* EPL. This means that the broader political and institutional conditions present in Latin America in the 21st century do not contribute to labor relations reform. My analysis leads me to conclude that H_1 and H_3 are accepted because of findings associated with the role of left-leaning executives in favoring protective labor relations and the impact that FDI has on increasing the likelihood of labor reform. Conversely, I reject H_2 , H_4 , and H_5 because of evidence suggesting that left-leaning executives, programmatic party linkages, and low levels of union repression do not increase the likelihood of labor reform. The next chapter will address the contributions, and limitations, of my dissertation and comparative study more thoroughly.

Chapter 5

Conclusion

My dissertation finds that changes in the political and institutional environment in Latin American countries between 2000 and 2012 explain the decline in labor relations reform. I argue that Latin America has 1) undergone a transformation in how political and institutional conditions impact labor relations reform and 2) shifted away from the conditions that cause reform. I contend that these changes in the political and institutional environment in Latin America are driven by the expansion of electoral democracy in the region, which has restructured the balance of power among workers, employers, and the state while also limiting the scope of institutional change. In turn, the development of electoral democracy has weakened labor's capacity to achieve protective labor relations reform and ascended the ability of capital to commodify labor.

First, the political and institutional environment of labor relations in Latin American has reversed the impact that left-of-center executives have on the orientation of labor relations. The empirical research holds that leftist administrations favor more protective labor regulations and are more likely to enact protective labor reforms (see Alemán 2014; Murillo et al. 2011). Left-leaning executives favor EPL labor policies that increase the cost of hiring and firing workers and increase job security (Alemán 2014). However, I find that between 2000 and 2012 left-of-center executives had a negative impact on de jure EPL. This means that leftist administrations are no longer pursuing labor protections as they have in the past. Instead, left-leaning executives enacted flexible labor policies that disadvantaged labor and benefited employers.

Clientelistic party linkages and MNCs do increase the likelihood of protective de jure EPL reforms but these factors are limited in their effect when compared to the impact of electoral democracy. Increased competition over the occurrence and direction of labor relations reform, due to enhanced electoral democracy, has prevented unions from achieving the protective collective bargaining reforms they have traditionally acquired from labor-backed parties. Similarly, the ability of MNCS to demand a more leveled regulatory playing field with domestic exporters has its limitations because labor protections are not the sole concern of foreign capital.

The policy reversal of leftist administrations, traditionally labor-backed parties, was not caused by a political or economic shock. Latin America's political and institutional legacies – which influenced the labor reforms of the 1990s – were not upended. The “Pink Tide” did not reflect a complete break from the preexisting social, political, and economic policies of the 1990s (see Cook and Bazler 2013; Castañeda 2006; Weyland et al. 2010; Flores-Macias 2012). The new left-of-center regimes varied in their organizational characteristics, policies, and regime orientations as well as in the scope, depth, and speed of policy changes because government policies reflected unique historical legacies and not a regional policy convergence (Levitsky and Roberts 2011).

What then drove left-leaning executives to shift their labor policy orientation? It's the politics, stupid! Increasing electoral democracy in Latin America was the main factor impacting the likelihood of de jure EPL reform, particularly flexible reform. This means that as electoral considerations gained prominence in the region, labor policies were more likely to increase the commodification of labor. This finding suggests that the balance of power shifted decisively in favor of employers and capital writ large. The process behind

this policy reversal is unclear when looking at the statistical models in isolation. However, analytic narratives of Chile and Brazil help explain how electoral democracy influenced left-leaning executives to pursue flexible labor relations.

The cases of Chile and Brazil show that left-of-center executives have largely chosen to step out of the ring and let labor and employers battle each other over the orientation of labor relations. In both Chile and Brazil, states with vastly distinct historical legacies, leftist executives in the 21st century broke from previous patterns of state intervention on behalf labor, or capital, in labor relations under the reasoning that state intervention would interfere with the deepening of democracy. Despite a long history of state intervention in labor relations – especially in the pursuit of labor commodification in the 1980s and 1990s – left-of-center executives implemented tripartite dialogue practices so that compromise between labor and capital could drive labor policy. However, the labor commodification and union fragmentation policies pursued in the 1980s and 1990s, and the broader historical legacy associated with the flexibilization of labor conditions, meant that labor's demands for more protective labor relations were obstructed by the entrenched and powerful business class that benefited from the extant balance of power.

The decision of leftist executives to use tripartite dialogue as the main mechanism for labor policy reform was, in effect, the marketization of labor relations. The underlying notion for the use of tripartite dialogue is that actors engage in a transactions-based approach to develop labor reforms that benefit both sides. It is unclear whether leftist executives knowingly discounted the power and resource dimensions of markets where powerful actors can leverage their negotiating power to yield more favorable outcomes or whether they implemented a labor relations mechanism to further empower employers. An

explanation to the latter is beyond the scope of this dissertation but serves as a potential future line of research. Nonetheless, tripartite dialogues in Chile and Brazil constrained the ability of labor to pursue protective reforms through other legislative means and discounted the labor policy influence of labor-backed parties in legislatures. In effect, as the state stepped out of the ring, it also tied labor's hands behind its back.

Second, I find that the political and institutional environment in Latin America has shifted away from the conditions that cause reform. In particular, low levels of electoral democracy coupled with low levels of FDI and high levels of union repression are conditions related to the presence of labor reform. However, this configuration of conditions became increasingly scarce between 2000 and 2012. During this period, nine countries deepened electoral democracy while eight countries reduced electoral democracy. However, on average, the levels of electoral democracy in Latin America are relatively high, .71 on a 1-point scale. Additionally, 12 out of 17 countries increased FDI. Lastly, only nine out of 17 countries increased union repression. The reduction in countries exhibiting the potential causal conditions for labor reform indicate that the expansion of electoral democracy, in particular, has limited the scope of labor reform.

I contend that low levels of electoral democracy enabled insurrectionary agents to enact transformative labor policy reforms through institutional displacement. The latter is due to the ability of political regimes to govern with the support of a political elite minority or strong political blocs, such as unions. These blocs were able to demand large-scale labor reforms from governing parties in exchange for continued electoral support. Governments responded in kind with broad and deep labor reforms, often in the form of executive decrees. Greater electoral democracy mandates politicians to be more responsive and

accountable to a broader electorate. As a result, politicians seek electoral support from a wider and more stratified electorate. As the cases of Chile and Brazil show, this dynamic has weakened the ability of unions to impact policymaking and bring about protective labor reforms.

Furthermore, deepening electoral democracy in Latin America in the 21st century has meant that transformative labor reform is unlikely. That is to say, the political and institutional environment is not conducive to displacement. Instead, layering is the most likely form of institutional change to occur given the region's political and institutional environment. In general, the state's role as the prime veto actor to labor reform has been cemented by the push toward labor relations based on tripartite dialogue while the level of institutional discretion has been lowered through greater enforcement and compliance. Limiting the scope of institutional change to layering means that amending existing institutions is much more likely than whole-scale transformations. As a result, the political and institutional environment benefits the status quo by engraining the flexible labor policies of the 1980s and 1990s and weakens potential challengers, like labor. These findings suggest that the decline in the conditions that may cause EPL reform help explain the general decline in labor relations reform in Latin America during the 21st century.

The expansion of electoral democracy in Latin America has restructured the balance of power among workers, employers, and the state while also limiting the mechanisms for labor reform. The resultant outcomes are the weakening of labor's capacity to achieve protective labor relations reform and the ascension of capital's ability to commodify labor. The decline in left-of-center executives after 2010 will likely further consolidate the power of employers to maintain flexible labor reforms and obstruct

protective reforms. Furthermore, incoming right-leaning executives may take the left's acquiescence to flexible labor relations as a mandate to further commodify labor. What's clear is that the political and institutional environment of Latin American labor relations has been transformed and that electoral democracy is the guiding force for labor reform in the 21st century.

Comprehensive Theoretical Approach to the Study of Labor Relations

I believe that my dissertation contributes to a more comprehensive understanding of how political and institutional conditions shape the orientation of labor relations and the likelihood of labor relations reform. In order to address my empirical puzzle, I first synthesize the two governing debates in the empirical literature on Latin American labor relations: 1) how to best conceptualize labor relations institutions for empirical research and 2) what are the factors that influence labor relations reform? Second, the application of the power-distributional approach to the study of Latin American labor relations provides 1) a theoretical justification for the use of de facto indicators for labor relations and 2) for the importance of the political and institutional environment in which labor relations take place. This theoretical approach to the study of labor relations led to a deeper, and largely unacknowledged, understanding of the impact that electoral democracy has on labor relations reform.

First, the debate on how to best conceptualize labor relations shows that most scholars of Latin American labor relations apply the de jure perspective of institutions to their empirical research. This means that the great majority of the empirical literature on labor relations and labor relations reform in Latin America is based on the view that

codified labor relations law is the best indicator to ascertain the orientation of labor relations and measure changes in that orientation over time (see Murillo et al. 2011; Murillo and Schrank 2005; Cook 2007; Alemán 2014). In contrast, some scholars conceptualize labor relations through the de facto perspective, which is based on the actual practice of labor relations. The de facto perspective of labor relations suggests that the actual, practical, orientation of labor relations may differ from the de jure orientation because the compliance and enforcement of codified labor relations laws may considerably alter their impact on workers, employers, and the government. The latter is evident in the empirical literature reporting gaps between de jure and de facto labor standards (see Burgess 2010). However, despite the acknowledgement of a sizeable difference between the labor relations that are legislated and those that are practiced, the empirical research on labor relations employing the de jure conceptualization is limited (see Feldmann 2009).

Additionally, the debate among scholars about which explanatory factor is most important to labor relations reform focuses on executive ideology, political legacies and international pressures. The literature on Latin American labor relations finds that the orientation of labor relations, and the likelihood and direction of labor reform, is largely influenced by these factors, which increase pressures on national governments to maintain or alter how existent labor relations distribute material and political resources among competing actors. Despite debates among scholars about which factor is most important, the empirical evidence supports that each of these explanatory factors influence labor relations outcomes. Nonetheless, the empirical literature on Latin American labor relations has not fully addressed the impact of these explanatory factors in a comprehensive manner (see Murillo and Schrank 2005).

The power-distribution approach identifies institutions as contested settlements, “distributional instruments laden with power implications” (Mahoney and Thelen 2010: 8). This perspective suggests that institutions are inherently the product of politics and also provide a dynamic environment for further political contestation. The continuous contestation for the distribution of material resources afforded by institutions leads actors to pursue both gradual and more transformative institutional changes. The latter, supports the view that the application of the de facto perspective to the study of Latin American labor relations reveals a less-studied dimension of labor relations reform that focuses on how changes in institutional compliance and enforcement can lead to de facto labor relations reform as the practice of labor relations change over time. In this perspective, changes in institutional compliance and enforcement, de facto changes, can lead to institutional change in similar ways as legislative change.

Furthermore, the power-distribution approach affirms the role that political and institutional conditions have in impacting labor relations reform. Changes in political and institutional conditions alter the political and institutional environment in which actors compete to further their material interests, potentially resulting in institutional change. This means that when political and institutional conditions change, actors are provided with new opportunities or constraints to their capacity to influence labor relations reform.

The power-distribution approach maintains that actors with differing material resources pursue the creation of institutions designed according to their institutional preferences. Therefore, the institutions that are created represent the intentions of dominant actors as well as the unintended consequences of conflict and compromise. As such, institutional outcomes reflect the coalitions and conflict between different actors.

Consequently, the beneficiaries of resultant institutional arrangements prefer continuity and mobilize resources and political support to maintain the status quo (Thelen 2004). Conversely, subordinate actors disadvantaged by existing institutional arrangements seek to reshape the status quo. This means that contestation is inherent to all institutions—due to the distributional effects of institutions—and that changes in the political and institutional environment in which contestation takes place encourage different types of institutional change strategies, which in turn influence the emergence of particular change agents that pursue certain types of institutional change.

Rigorous Empirical Analysis of Labor Relations

My dissertation also contributes to the field of Latin American labor relations by providing a model for the rigorous empirical analysis of labor relations. My theoretical and methodological approach is intended to fully explore the benefits and limitations of studying both de jure and de facto labor relations empirically and analyze how executive ideology, political legacies and international pressures interact with each other to shape labor relations in Latin America between 2000 and 2012. I combine the de jure and de facto perspectives of labor relations because it acknowledges that labor relations change through both alterations in how labor institutions are written and in how they are practiced. Incorporating the de facto perspective in the analysis of labor relations reform in Latin America is critical to a comprehensive understanding of labor relations because institutional compliance is a pressing issue in Latin America relative to other regions (Burgess 2010) and labor relations enforcement in Latin America is discretionary in nature (Piore and Schrank 2008).

The power-distributional approach provides a theoretical framework that acknowledges the importance of institutional compliance and argues that institutional change can be driven by changes in compliance as well as by changes in the codification of laws. This approach argues that institutional change is largely influenced by the political and institutional environment in which actors compete to further their material interests. The power-distributional approach suggests that institutions are products of both intentional and unintentional forces and that institutional change can be both endogenous and exogenous without the assumption that institutions are self-reinforcing. Furthermore, power-distributional approach provides an institutional change model linking political and institutional conditions to four types of institutional change: displacement, layering, drift, and conversion. This view of institutional change supports a comprehensive approach to the study of labor relations that considers how explanatory factors interact to shape the environment in which actors compete for the material resources conferred through labor relations.

My methodological approach reflects my theoretical framework by examining the interactive effects of explanatory factors on both de jure and de facto labor relations in Latin America. I operationalize de jure EPL through the World Bank's rigidity of employment index and de facto labor relations by employing survey-based indicators for EPL and collective bargaining centralization from the WEF's Global Competitiveness report that account for institutional compliance (see Feldmann 2009). I then test the impact of explanatory factors derived from the empirical literature through two panel data models one fsQCA model, and two analytic narratives to explain the decline in labor relations reform in Latin America between 2000 and 2012.

First, my methodology presents the state of the art in mixed-methods approaches, which has not been previously explored in the empirical literature. Second, my operationalization of labor relations variables led to my development of a large-N dataset, n=221, on Latin American labor relations for the years 2000 to 2012 that can undergo panel data and fsQCA analysis, unlike the existing datasets. Together, these contributions further the capacity of scholars to explain Latin American labor relations with great methodological rigor.

First, the most common methodological approach to the study of Latin American labor relations in the empirical literature is the use of ordered logistic regression (see Murillo et al. 2011; Murillo 2005; Ronconi 2012). In particular, regressions have been used to explain the impact of executive ideology, political legacies, and international pressures on labor relations reform or labor relations enforcement. Beyond regressions, some scholars have employed ANOVA statistical tests, exploratory factor analysis, and Cox's proportional hazards modelling to the study of labor relations (see Alemán 2014; Murillo and Schrank 2005). Variation in methodological approaches tend to underscore differences in the sample size, data availability, and is largely guided by the research question being answered. However, these approaches largely discount the effects of time and the differences among countries that shape how various explanatory impact labor relations.

Conversely, my use of panel data analysis accounts and controls for possibly correlated, time-invariant heterogeneity by identifying and measuring effects that are not observable. Unlike ordered logistic regression, panel data analysis examines the contextual differences among countries that largely shape of explanatory factors impact the orientation of labor relations and the likelihood of labor relations reform. This approach enables the

study of dynamic relationships, such as the competition for labor relations reform, and the modeling of heterogeneity among countries. As a result, panel data estimators consistently estimate the effect of the observed explanatory variables on the dependent variable even when unobserved variables are omitted.

I employ the random effects approach to panel data analysis in order to account for the presence of both within- and between-group variations in estimators, based on the assumption that the variation across cross-sectional units is assumed to be random and uncorrelated with the explanatory variables included in the model. Additionally, I incorporate time-series-cross-section analysis with a binary dependent variable (BTSCS) that employs time-dummy variables to account for temporal dependence in observations over time (see Beck et al. 1998). BTSCS data are equivalent to grouped event history or discrete time duration data because they are based on a continuous time event history model where discrete intervals involve only one possible. As a result, my methodological approach leads to a more comprehensive and encompassing analysis of the role that political and institutional conditions play across vastly different countries.

Similarly, my use of the fsQCA methodological approach furthers the comprehensive and contextualized analysis of labor relations in Latin America. The underlying rationale for fsQCA is that by analyzing cases that exhibit the same outcome, it is possible to identify cases that share a specific configuration of causally relevant conditions. This enables the analysis of causal complexity through a focus on the configurations of set memberships instead of a focus on explanatory variables (Ragin 2008). When applying fsQCA to the study of labor relations reform, a country is a case with a specific set of institutions (i.e. an institutional configuration) and multiple cases can

be compared to determine if any institutional configurations lead to labor relations reform. As a result, fsQCA identifies the multiplicity of paths that lead to labor relations reform, employing the concept of conjunctural causation, by analyzing the common conditional configurations that lead to labor relations reform. Conversely, variable-based approaches, like regression analysis, disaggregate cases in order to measure the influence of separate independent variables on the dependent variable.

Lastly, I complement my statistical models with analytic narratives to provide a rich description of the political and institutional conditions, specifically electoral democracy, that have led to the decline in Latin America labor relations reform between 2000 and 2012. Analytic narratives are historical case studies that enable the construction of stylized facts based on empirical findings (Bates et al. 1998). They allow for the use of thick description to connect the characteristics of a given case with the observed outcomes and assess the validity of competing claims explaining the observed empirical relationship. Analytic narratives emphasize the importance of the political and institutional environment in shaping actors' goals and strategies (Bates et al. 1998).

Second, my development of a large-N dataset, $n=221$, on Latin American labor relations for the years 2000 to 2012 that can undergo panel data and fsQCA analysis, is a major contribution to the field of Latin America labor relations because most studies are based on small-n datasets. For example, Murillo and Schrank (2005) employ a dataset consisting of 13 cases in their analysis of union-friendly reforms between 1985 and 1998. It is difficult to perform rigorous statistical analysis, and develop valid explanations, covering a large period and numerous explanatory factors when the number of cases to be tested is severely limited. The largest dataset used in the empirical research of Latin

American labor relations reform was $n=79$, encompassing EPL, unemployment insurance, and personal security reforms between 1985 and 2009 (Murillo et al. 2011). I contend that small datasets are a reflection of the limitations of the de jure conceptualization of labor relations and that this de jure approach limits the understanding of labor relations reform.

The operationalization of de jure and de facto labor standards enables the creation of a dataset that accounts for labor relations reform that occur through changes in legislation and changes in practice. This broader approach to measuring labor relations reform fosters considerably more data on Latin American labor relations reform than an exclusive reliance on codified changes. Additionally, this approach enables scholars to compare country years in which reform did not take alongside with those that did experience reforms. This means that the conditions with statistically significant impacts on labor relations are valid because they were tested across all cases, and not just those that experienced reform. As a result, my findings, are arguably, robust and valid. Additionally, the contribution of a large-N dataset furthers the ability to apply a rigorous mixed-methods approach to the empirical study of Latin American labor relations.

Potential Future Research

The contributions of my dissertation expand the potential paths of future research on Latin American labor relations. In particular, I identify two avenues of research that expand the understanding of labor relations in the region. First, the successful development and application of a large-N dataset on Latin American labor relations, a region with historically limited data availability, suggests that a similar multi-regional large-N dataset can be developed. The latter would then enable inter-regional comparisons that expand the

understanding of the conditions that foster labor relations change in Latin America. This line of research may indicate that the prominent explanatory factors shaping labor relations reform outcomes in Latin America are relatively unique when compared to other regions. Conversely, the empirical research may indicate that the expansion of electoral democracy throughout the world is transforming how most countries address the demands for labor relations reform, irrespective of regional differences. I intend to expand my dataset and dissertation to allow for this line of research.

Second, I believe that my dissertation sets a path for future research on Latin American labor relations that focuses on how electoral democracy has transformed the environment that shapes competition for the distribution of material resources conferred by labor relations institutions. My dissertation concludes that electoral democracy is the governing factor shaping labor reform outcomes in Latin America between 2000 and 2012. However, my dissertation is limited by not addressing how and when electoral democracy became such an important explanatory factor for labor relations reform, although my narrative case studies elude to this shift. A thorough examination of the interaction between electoral democracy, political and institutional legacies, and labor relations reform is a tall order, but one that can provide critical insights into the future of labor relations in Latin America, for the rest of the 21st century and beyond.

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Appendix 1

Appendix 1: fsQCA Calibrations			
Variable	0.05 threshold	0.50 threshold	0.95 threshold
Labor regulations			
Rigidity of employment index change	0.025	0.25	0.50
Centralized collective bargaining change	0.025	0.25	0.50
Hiring and firing regulations change	0.025	0.25	0.50
Political context			
Executive ideology	0.05	0.50	0.95
Foreign direct investment	0.26	2.6	5.2
Trade	5.5	55	110
Institutional context			
Party Linkages	0.5	2	3.5
Union repression	0.5	2	3.5
Control variables			
GDP per capita	\$387.04	\$3,870.40	\$7,740.80
Inflation	.51	5.1	10.2
Unemployment rate	.55	5.5	11
Electoral democracy	0.05	0.50	0.95
Rule of law	0.5	2	3.5

Notes: I employed the direct calibration method that requires the specification of the following thresholds: the 0.05 is the threshold for full nonmembership, 0.5 is the cross-over point, and 0.95 is the threshold for full membership. Labor regulations were calibrated using a relatively high threshold for reform. The average annual change observed was and -0.10 for rigidity of employment index reform, 0.07 for hiring and firing regulations reform, and 0.03 for centralized collective bargaining reform. Executive ideology was based on a 0 to 1 scale; therefore, no modifications were made in calibrating to fuzzy-set scores. FDI, trade, GDP per capita, inflation, and the unemployment rate were calibrated using the average levels of FDI and trade for low and middle income countries in 2012. The 0.05 threshold represents 10% of the average of low and middle income countries, the 0.5 threshold represents the average for low and middle income countries, and the 0.95 threshold represents 200% of the average for low and middle income countries. Party linkages, union repression, electoral democracy, and rule of law were calibrated using the V-Dem indicator intervals.

Appendix 2

Model 1 - Do leftist executives favor protective labor relations in Latin America? (2000-2012)			
Panel Regression with Fixed Effects: Coefficients and Standard Errors (n=221)			
Variable	De jure EPL	De facto EPL	De facto collective bargaining
Executive ideology	-0.307* (0.184)	0.243 (0.165)	0.287 (0.176)
FDI	-0.008 (0.036)	-0.094*** (0.032)	-0.018 (0.034)
Trade	-0.012 (0.008)	0.003 (0.007)	0.007 (0.008)
Party linkages	0.203 (0.251)	-0.384* (0.224)	0.038 (0.240)
Union repression	0.003 (0.345)	-0.635** (0.308)	00.001 (0.330)
GDP per capita	-0.0002 (0.0001)	0.00003 (0.0001)	0.001*** (0.0001)
Inflation	0.002 (0.008)	0.005 (0.008)	0.016** (0.008)
Unemployment rate	0.065 (0.044)	0.078* (0.040)	0.107** (0.042)
Electoral democracy	-2.142 (1.942)	2.326 (1.737)	-4.777** (1.862)
Rule of law	0.381 (0.332)	0.526* (0.297)	0.744** (0.318)
Observations	221	221	221
R2	0.149	0.116	0.216
Adjusted R2	0.130	0.102	0.189
F Statistic	3.387*** (df = 10; 194)	2.548*** (df = 10; 210)	5.339*** (df = 10; 210)

Notes: *p<0.1; **p<0.05; ***p<0.01.

Appendix 3

Model 2 – What factors influence labor relations reform in Latin America? (2000-2012)			
Binary time-series cross-section (BTSCS) logit panel without temporal dummy variables: Coefficients and Standard Errors (n=204)			
Variable	De jure EPL	De facto EPL	De facto collective bargaining
Executive ideology	0.104 (0.341)	-1.249* (0.674)	-0.303 (0.579)
FDI	-0.058 (0.074)	0.034 (0.128)	-0.025 (0.135)
Trade	0.008 (0.007)	-0.024** (0.012)	0.010 (0.014)
Party linkages	-0.443* (0.269)	0.865** (0.505)	0.181 (0.438)
Union repression	-0.888* (0.476)	-0.059 (0.896)	0.244 (0.837)
GDP per capita	-0.00001 (0.0001)	-0.0001 (0.0002)	0.00004 (0.0001)
Inflation	0.009 (0.027)	-0.005 (0.050)	0.003 (0.055)
Unemployment rate	0.055 (0.053)	-0.013 (0.101)	0.159 (0.106)
Electoral democracy	5.368** (2.644)	-0.054 (4.746)	-6.597 (4.561)
Rule of law	-0.206 (0.329)	-0.416 (0.621)	0.903 (0.578)
Constant	-1.529 (1.290)	6.648** (2.717)	2.381 (2.499)
Observations	204	204	204
Log likelihood	-126.728	-50.407	-56.535
Akaike information criterion (AIC)	275.456	122.814	135.070

Notes: *p<0.1; **p<0.05; ***p<0.01. Annual changes $\geq |0.05|$ were coded as 1 for labor relations reform and annual changes $< |0.05|$ were coded as 0, no labor relations reform.