

The Technocratic Barrier to Wage Policy: Theoretical Insights from the Chilean Concertación

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APPENDIX 1: Characterization of the intra-left conflict

Figure A1. Logistic regression on manifesto signatories' main characteristics

	(1)	(2)
	Logit Model	OLS Model
Member of Parliament (1990-2002)	-0.383 (0.786)	-0.075 (0.137)
Executive (1990-2006)	-0.807 (0.804)	-0.171 (0.145)
Christian Democratic Party (PDC)	-0.538 (0.557)	-0.095 (0.115)
Socialist Party (PS)	-0.792 (0.609)	-0.151 (0.127)
Party for Democracy (PPD)	-1.109 (0.659)	-0.230 (0.148)
Executive during Bachelet I or II admins.	-0.249 (0.831)	-0.017 (0.132)
Technocrat	-0.923** (0.394)	-0.200** (0.090)
Female	-0.004 (0.564)	0.006 (0.113)

Constant	2.166**	0.910***
	(0.857)	(0.132)
Observations	169	169

Standard errors in parentheses

** p<0.05, *** p<0.01

APPENDIX 2: Process Tracing Tests

The process-tracing presented in this paper on the Chilean labor reform under Lagos presidency (2000-2001) is based on the careful analysis of pieces of evidence drawn from the debates around the reform process as well as related official documents and interviews with relevant actors, labeled “causal process observations” (CPOs) (Collier, Brady, & Seawright, 2010; Mahoney, 2010). The standard use of CPOs in process-tracing environments is to inductively build theory through the evaluation of causal hypotheses; for which there are four evidence-based tests (Bennett 2010:210):

Straw-in-the-Wind Test: Passing the test increases the plausibility of the hypothesis but does not confirm it. Failing weakens the hypothesis, but does not eliminate it.

Hoop Test: Passing the test increases the plausibility of the hypothesis but does not confirm it. Failing eliminates the hypothesis.

Smoking-Gun Test: Passing confirms the hypothesis. Failing does not eliminate the hypothesis.

Doubly-Decisive Test: Passing confirms the hypothesis and eliminates rival hypotheses.

The four tests increase or decrease the likelihood of a hypothesis being correct based on logical criteria of sufficiency and necessity. The hoop and double-decisive tests establish a necessity condition for causation, while the smoking-gun and doubly-decisive establish a sufficiency condition. The straw-in-the-wind test do not establish either one. It is also important to bear in mind that different sources of information and type of evidence strengthen causal inference.

The labor reform under the Lagos Administration (2000-2001)

Case summary: During the 1999 presidential campaign, Lagos ran under a promise of a labor reform after the failed attempt during the last year of the also Concertacion government of Frei-Tagle. Once in office, the Lagos administration began negotiations with labor, employers and the opposition to prepare a labor reform project. The Concertacion had a majority in the House, but fell one senator short of a majority in the Senate because of the existence of institutional senators. Lagos rapidly formed the Social dialogue Council with labor and employers in order to set the tone for the reform. However, six months into the administration and after having sent the first project to Congress, the Concertacion found itself with an unexpected majority in the Senate after the lifting of immunity of Senators Pinochet and Francisco Errazuriz. This situation would remain unchanged until the following parliamentary election of January 2002. During the Concertacion meeting ‘Santiago I’, on December 2000, a pledge to Lagos for including historically conflictive issues related to collective rights and collective bargaining.

The following three hypotheses compete regarding why these issues were not included in the second bill sent to Congress the following march, even when the Concertacion had a parliamentary majority to pass the bill. My argument, comprised in hypothesis 1, is that internal divisions in the Concertacion were the main driver for leaving the conflictive issues out. I argue that business lobby is of great importance for setting the contextual

tone of the environment in which the reform is debated, but that it is not the primary driver for the reform outcome.

H1: Conflicts within the Concertación among moderate sectors over a perceived employment-salaries trade-off frustrated the inclusion of the conflictive issues related to “multi-RUT”, inter-firm collective bargaining provisions and the replacement of a worker during a strike.

H2: Organized business lobby influencing the Concertación frustrated the inclusion of the conflictive issues related to “multi-RUT”, inter-firm collective bargaining provisions and the replacement of a worker during a strike.

H3: Direct political action from opposition parties frustrated the inclusion of the conflictive issues related to “multi-RUT”, inter-firm collective bargaining provisions and the replacement of a worker during a strike.

Each of the hypothesis has two parts to be considered under the process-tracing methodology. First, the causal condition has to be present. This is, for example, in hypothesis 1, there needs to be evidence of an internal conflict within the Concertación around the labor reform. In hypothesis 2 this is more difficult to test, because not being employers’ a political actor directing its’ action to court a constituency, lobby may happen exclusively in the private sphere, reducing the ability to identify it. For hypothesis 3, there need to be a discourse against the reform on the part of opposition parties, mostly guided by their ideological and core-constituency preferences.

Second, the three hypotheses, whenever the causal condition holds, are evaluated against the evidence about whether the Lagos administration decision about leaving the conflictive issues out of the bill is propelled by one or the other conditions.

With respect to the condition part of hypothesis 1, the following five observations, drawn from different sources, provide direct support to the existence of a conflict within the Concertación:

Observation 1a: After the first bill is sent to Congress, in November 2000, Labor Undersecretary declares that conflictive issues will be incorporated into the bill during the second message to congress upon reaching a consensus. At this point, the administration is not clear about the necessary reach of the consensus sought (*Sources:* La Tercera 2000i, El Mercurio 2000b).

Observation 1b: The official document of the ‘Santiago I’ meeting includes the agreement among Concertación groups about including the conflictive provisions for collective bargaining and the lifting of restrictions on unionism (*Sources:* Official ‘Santiago I’ document; La Tercera 2000j, El Mercurio 2000c, La Tercera 2001, El Mercurio 2001b).

Observation 1c: The Secretary to the Presidency, Mr. Alvaro Garcia, confirms the Concertación decision to include the hard topics in the bill after the ‘Santiago I’ meeting. (*Sources:* El Mercurio 2000c).

Observation 1d: Immediately after the ‘Santiago I’ meeting, dissident voices opposing the inclusion of the conflictive issues in the bill were raised within the Democracia Cristiana (*Sources:* La Tercera 2000c)

Observation 1e: Secretaries Eyzaguirre (Finance) and Solari (Labor) argued that including the ‘hard topics’ would violate the previous accord with employers reached in the Social Dialogue Council (*Sources:* La Tercera, 2000c; El Mercurio, 2000d).

Observation 1f: During the parliamentary discussion of the project (page 115), Concertacion parliamentarian Mr. Ruiz argue about the issues at stake with explicit mention to the Concertacion majority in Congress.

Inference: The executive is considering the inclusion of the conflictive issues in the second message to congress on march, which triggers voices from influential members of parliament and key members of the executive against the accord reached at Santiago I meeting.

Condition part of Hypothesis 1 passes Straw-in-the-Wind Tests: Observations **1a**, **1c** and **1e**, where members of the executive publicly address the possible inclusion of the ‘hard topics’ into the bill, are relevant pieces of information consistent with the condition part of the hypothesis but is not decisive about the hypothesis.

Condition part of Hypothesis 1 passes Hoop Test: Observations **1b**, **1d** and **1f**, where Concertación Parliamentarians publicly address the inclusion of the ‘hard topics’ into the bill is, given they are expected to publicly send messages to their core constituencies about their intake in the issue, are relevant evidence of a necessary albeit insufficient condition for the condition part of the hypothesis to be present.

The following observation provides more decisive evidence supporting Hypothesis 1 on the internal conflict as a driver of the executive decision on the conflictive issues:

Observation 1g: The ‘Santiago II’ meeting was cancelled and instead President Lagos and other high-ranking officials carried out a series of meetings with Concertación parliamentarians. (*Source:* La Tercera 2001e)

Inference: The conflict within the Concertacion is so important as to provoke changes in the dialogue strategy on the part of the Lagos administration. The strategy itself, i.e. having individual meetings with key actors between January and February, is in itself illustrative of the importance of the conflict for the administration.

Hypothesis 1 passes a Straw in the Wind Test: Observation **1g** is consistent with the hypothesis, strengthening its’ plausibility as a causal mechanism.

Finally, the following two observations provide critically decisive evidence supporting Hypothesis 1 on the internal conflict as a driver of the executive decision on the conflictive issues; and debilitates hypothesis 3:

Observation 1h: The President himself, before departing for the 19th MERCOSUR meeting in Brazil, made a clear statement about the conditions under which the conflictive topics should be included in the bill. With respect to the need to include the opposition

parties in a wider agreement, Lagos was clear: “If there is consensus, splendid, if there is not ... this is the reason we have majorities and minorities. That is democracy.” (*Source: La Tercera, 2000k*).

Observation 1i: A presidential advisor also declared that Lagos’s take on the issues was simple: “If the Concertación parliamentarians agree on both indications, we include them. Otherwise, they are removed.” (*Source: La Tercera, 2000k*).

Inference: Observations **1h-i** clearly indicate that the Lagos administration was concerned with the internal conflict in the government coalition about the conflictive topics and was completely aware of its’ own majority in congress. We can attribute therefore the outcome of leaving the conflictive issues out of the bill to the internal conflict in the government coalition.

Hypothesis 1 passes Smoking-Gun Tests: Observations 1g and 1h-i strongly support the hypothesis that the intra Concertacion conflict motivated the President to leave the conflictive issues out of the bill. This evidence would be extremely surprising if the null hypothesis that the intra-Concertacion conflict was not important in the President’s decision were correct.

With respect to the condition part of hypothesis 2, the following observations, drawn from different sources, provide direct support to the existence of intense business lobby against the inclusion of the conflictive topics in the bill:

Observation 2a: During a long press interview, CPC President, Mr. Riesco, develop a series of concepts about the importance of the inherited labor relations framework from the Pinochet period (*Sources: La Tercera, 2000a*).

Observation 2b: Lagos met with business leaders as president-elect at the Center for Public Studies (CEP) on March 7th, 2000. The CPC board also met privately with Lagos twice that year, once at La Moneda Palace -May 26th- and once at Mr. Lagos’s residence - October 12th-, only a few days after the first labor bill was sent to Congress. Labor reform was one of the salient issues discussed in the three meetings (*Sources: La Tercera 2000e, La Tercera, 2000a*).

Observation 2c: Business publicly campaigned against the reform. In November 2000, business organized the “National Business Forum 2000” (ENADE), deciding its’ slogan would be “Confidence”, alluding to the necessity of recovering confidence in government (*La Tercera 2000e*). During the gathering, business leaders spoke harshly toward government and in particular toward President Lagos. (*La Tercera 2000f*).

Observation 2d: The new CPC President, Mr. Ariztia met with Lagos three times about the labor reform even after the second message was sent to Congress without the conflictive topics (*Sources: La Tercera 2001b, 2001c*).

Observation 2e: Mr. Ariztia makes public declarations contrasting European and United States models of labor relations, expressing clear preferences to the latter one (*Sources: La Tercera 2001d*).

Inference: The previous labor reform attempt under the Frei administration and the new reform proposed by the Lagos administration triggers business lobby strategies against the reform in general and the inclusion of the conflictive topics in particular.

Condition part of Hypothesis 2 passes Straw-in-the-Wind Tests: The evidence from observation 2a-e is consistent with the condition part of the hypothesis but is not decisive respect to the hypothesis.

The following 3 observations provide more decisive evidence supporting Hypothesis 2 on the business lobby as a driver of the executive decision on the conflictive issues:

Observation 2f: Concertacion parliamentarians refer to the conflictive issues with arguments that suggest they are bearing in mind business preferences on them (Sources: La Tercera 2001a, 2001b, 2001e)

Observation 2g: Labor and Hacienda Ministers refer to the fact that including the conflictive topics in the bill would imply an unilateral breach of the accord made with business in the Social dialogue Council (Sources: Interview with ex-Labor Secretary during 2000-2001; La Tercera 2000b and 2000c)

Observation 2h: The conflictive topics are discussed between the CUT and the CPC in the Social Dialogue Committee, not reaching an accord. Government officials declare to leave them out of the first bill sent to Congress because of this lack of agreement. (Sources: Interview with ex-Labor Secretary during 2000-2001; La Tercera 2000b)

Inference: Influential members of the legislative and executive branches of the Concertacion government refer to business preferences with respect to the conflictive issues.

Hypothesis 2 passes Hoop Test: The evidence from observations 2f-h is consistent with the hypothesis, strengthening its' plausibility as a causal mechanism.

Observation 2i: Labor Secretary declares in September, after the Concertacion found itself with a majority in Congress, that the conflictive topics might be included in a second bill to be sent to Congress (La Tercera 2000b).

Observation 1h: The President himself, before departing for the 19th MERCOSUR meeting in Brazil, made a clear statement about the conditions under which the conflictive topics should be included in the bill. With respect to the need to include the opposition parties in a wider agreement, Lagos was clear: "If there is consensus, splendid, if there is not ... this is the reason we have majorities and minorities. That is democracy." (Source: La Tercera, 2000k).

Observation 1i: A presidential advisor also declared that Lagos's take on the issues was simple: "If the Concertación parliamentarians agree on both indications, we include them. Otherwise, they are removed." (Source: La Tercera, 2000k).

Inference: There is no evidence of direct influence of business leaders on the Concertacion decision to include the conflictive topics if an internal accord was reached. The rhetoric about the use of the own majority by President Lagos also points to privilege

the internal-conflict mechanism over the business mechanism. However, evidence for ruling out the business mechanism is not strong either.

Hypothesis 2 fails to pass a Smoking Gun Test: Observation 2i suggests the change in the parliamentary majorities is a turning point in the discussion about the inclusion of the conflictive topics. Observations 1h-1i strongly suggest that the effect of business lobby should be considered to eventually have influenced the Lagos administration via the intra-Concertacion conflict around these issues.

With respect to the condition part of hypothesis 3, the following 3 observations, drawn from different sources, provide direct support to the existence of opposition parties' public rhetoric against the inclusion of the conflictive topics in the bill, with a clear appealing to their core constituencies:

Observation 3a: RN and UDI publicly oppose the labor reform (*Sources:* La Tercera 2000f, 2000g)

Observation 3b: UDI President, Pablo Longueiras, explicitly refer to the Concertacion parliamentary majority and to the importance to allow the Concertacion to carry with the complete responsibility of the reform (*Sources:* El Mercurio, 2001a, 2001c).

Observation 3c: RN party offers to vote the reform if the Concertacion agrees not to include the conflictive issues out of the bill (*Sources:* La Tercera 2000c, 2000h).

Observation 3d: During the parliamentary discussion of the project (page 115, 665 and 690), Concertacion parliamentarians Paya and Ruiz argue about the issues at stake with explicit mention to the Concertacion majority in Congress.

Inference: The reform proposed by the Lagos administration triggers an open opposition campaign on the part of the opposition parties.

Condition part of Hypothesis 3 passes Straw-in-the-Wind Tests: Observation 3a-d are consistent with the condition part of the hypothesis but is not decisive respect to the hypothesis.

Hypothesis 3 fails to pass a Hoop Test: Observation 1h is key for sustaining that President Lagos rules out the need for reaching a consensus with the opposition providing one is reached within the Concertacion. Observations 1h-i, 3b and 3d are important in confirming that the Alianza and the government understood that the Concertacion did have a majority in Congress. Hypothesis 3 is ruled out as a deciding factor in the reform outcome.

APPENDIX 3: Interviews used as evidence

Ex-Socialist Party Senator. Personal Interview, 2010.

Ex-member of Lagos' 'Second Floor' advisor team and ex-Christian Democrat Senator. Personal Interview, 2010.

Ex-member of Lagos' 'Second Floor' advisor team. Personal Interview, 2010.

Ex-Labor Ministry during Lagos Presidency. Personal Interview, 2010.

Ex-President of Sofofa. Personal Interview, 2010.

Ex-CPC President. Personal Interview, 2010.

Ex-CUT leader. Personal Interview, 2010.

Ex-CAT leader. Personal Interview, 2010.

Ex-President of Chile. Personal Interview, 2019.

Ex-Labor Ministry during first Bachelet Presidency. Personal Interview, 2019.

Ex-Labor Ministry during second Bachelet Presidency (a). Personal Interview, 2019.

Ex-Labor Ministry during second Bachelet Presidency (b). Personal Interview, 2019.

Ex-Finance Ministry during second Bachelet Presidency. Personal Interview, 2019.

Ex-UNT President. Personal Interview, 2019.

Ex-CPC Board Member. Personal Interview, 2019.