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The Politics of Job Security Regulations in Western Europe: From Drift to Layering

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Abstract

This article analyzes business and union strategies in the reform of job security regulations. It argues that unions are the main political actors pushing for their expansion of regulations, but given employers' opposition, unions are able to enforce better protection only in exceptional periods. Once the first restrictions are in place, employers use their power advantages at the workplace level to circumvent regulations, which unions combat by reducing the level of discretion awarded to employers in interpreting regulations. In recent decades, job security regulations have come under increasing pressure. Unions have reacted to this new situation by consenting to the continuous deregulation of temporary employment, while they fight any attempt at deregulating job security in open-ended contracts in order to protect their members' interests and their institutional involvement in the administration of dismissals. The theoretical argument is supported by empirical evidence from four Western European countries since the postwar period.

Keywords

dismissal, unions, dualization, institutional change, varieties of capitalism

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Introduction

Job security regulations are restrictions placed on the ability of employers to use labor. In particular, job security regulations restrict the managerial capacity to dismiss employees and use new forms of employment such as fixed-term contracts when hiring new workers.[1] Economists are generally critical of job security regulations, claiming they are a source of economic inefficiency and an obstacle to job creation.[2]

However, there are also important advocates for job security regulations, thus making them a controversial labor market institution.[3] Next to authors who emphasize the social protection function of job security regulations,[4] important advocates for the regulations include authors that stress the fundamental role of job security regulations in shaping national varieties of capitalism.[5] In a nutshell, the varieties of capitalism literature argues that job security regulations lead to long-term employment relationships and investments in specific skills, thus shaping firms' production strategies and by extension national models of capitalism. In contrast to conventional views in economics, it is argued that in so-called coordinated market economies, such as Germany and Sweden, job security regulations are conducive to economic success and thus supported by both employees' and employers' organizations, a view expressed, for instance, by Wood who argues that "where firms are keen to cultivate implicit long-term contracts with skilled employees, employers will support strong statutory employment protection."[6]

In this article, I contrast this static skill-based view with a perspective that stresses the role of political conflict and the power implications of institutions. Contra varieties of capitalism, I argue that job security regulations fundamentally shape the balance of power between capital and labor.[7] Job security regulations restrict managerial control over the workplace by imposing rules with regard to working conditions and union representation. In contrast, the unrestricted freedom to hire and fire at will puts capital in a strong bargaining position. It grants employers complete freedom in choosing their workforce and in defining the working conditions. Put differently, the ability to hire and fire at will anchors management's "control over wage and hours, as over all labor matters."[8] From this point of view, there is an irreconcilable conflict of interest between capital and labor with regard to job security regulations, which is likely to perpetuate itself due to the power implications of regulations in place.

As I demonstrate below, uneven and complex processes of institutional reproduction and change characterize the development of job security regulations in Western Europe. Leaving important cross-national differences aside for the moment, first significant job security regulations were enacted in the aftermath of World War I and in particular World War II.[9] After a long period of institutional stability, a second regulatory wave occurred in the late 1960s and early 1970s, a period characterized by the resurgence of class conflict.[10] The 1980s witnessed the shift of attention from the regulation of open-ended contracts to the regulation of temporary employment.[11] As most Western European countries struggled to dismantle dismissal protection despite mass

unemployment, governments turned to the deregulation of temporary employment to create labor market flexibility. The resulting two-tier reforms led to dualized labor markets in which open-ended contracts are still heavily protected, while temporary employment has been significantly deregulated.[12]

The varieties of capitalism framework cannot account for this uneven process of institutional reproduction and change. Instead, I submit a more political explanation of the historical development of job security regulations. In a nutshell, I argue that unions are the main political actors pushing for the expansion of job security regulations, but given employers' opposition, unions can enforce better protection against dismissal only in exceptional periods. Once the first restrictions are in place, employers take advantage of their economic and informational power at the workplace level to circumvent regulations. Unions combat this institutional drift by reducing the level of discretion awarded to employers in interpreting existing regulations. In particular, taking advantage of a period of labor movement strength in the late 1960s and early 1970s, unions enforced new regulations that left as little as possible to the discretionary judgment of employers and that awarded them an important role in the administration of dismissals that they could use to monitor employers' behavior.

In recent decades, unions have come under increasing pressure to allow for more labor market flexibility. As a result, unions face the possibility of retrenchment of dismissal protection. They have reacted to this new strategic situation by consenting to certain reforms, while protecting the interests dearest to them. More concretely, unions continue to fight any attempt at deregulating job security in the case of open-ended contracts. In contrast, they have accepted the continuous deregulation of temporary employment. The result of this process of gradual institutional change is an institutional dualism through layering. Unions consent to two-tier labor market reforms because this strategy allows them to protect the interests of their members (mostly workers on open-ended contracts) and their institutional involvement in the administration of dismissals (which is typically linked to open-ended contracts). In contrast, employers support this gradual institutional change through layering because it gives them access to a pool of cheap and flexible labor without undermining the cooperative workplace relationship they enjoy with their core workforce of skilled workers.

This argument is supported by empirical evidence on the development of job security regulations in four Western European countries since World War II. Using a comparative-historical approach, I analyze France, Germany, Great Britain, and Sweden because these four countries "display much of the institutional variation relevant to contemporary typologies of capitalism."[13] By examining these four countries I provide crucial insights into the politics of job security regulations in Western European countries with long traditions of democracy, thereby striking a balance between the ambition to generalize across a rather large set of countries, while providing sufficient empirical evidence to support the theoretical arguments.

As the empirical analysis demonstrates, the varieties of capitalism framework, unlike earlier accounts of models of capitalism,[14] underestimates the extent to

which there is a conflict of interest between capital and labor with regard to the regulation of job security. Reforms of job security regulations, in particular in the case of open-ended contracts, were almost always the result of political struggles between representatives of capital and labor. Moreover, the static varieties of capitalism framework underrates the level of temporal variation in job security regulations and the important role of the uneven enforcement of regulations in giving rise to both flexibility and conflict. Finally, the varieties of capitalism perspective struggles to account for the surprising number of commonalities and differences that seem to be at odds with its theoretical predictions. Overall, the empirical analysis of the politics of job security regulations suggests that the varieties of capitalism framework is not sufficiently attentive to the role of political conflict, the uneven enforcement of institutions, temporal dynamics, and the power implications of institutions.

The article is structured as follows: In the next section I develop a theoretical explanation that can account for the uneven and complex process of institutional reproduction and change that characterizes the development of job security regulations. Subsequently, I use a detailed comparative historical analysis of the politics of job security regulations in four Western European countries from the postwar years to the onset of the financial crisis in late 2007 to substantiate these theoretical arguments. A final section concludes.

Explaining Institutional Change: A Historical-institutionalist Account

In the influential varieties of capitalism framework, job security regulations play a fundamental role in shaping firms' production strategies, in particular in so-called coordinated market economies such as Germany and Sweden. Job security regulations lead to long-term employment relationships, protect workers' investments in specific skills, and encourage production strategies that are based on incremental innovation.[15] Hence, in coordinated market economies, both employees' and employers' organizations support job security regulations because statutory protection against dismissal is a core element of the national models of capitalism.[16] In contrast, in so-called liberal market economies such as Great Britain, job security regulations disrupt the efficient functioning of markets and are thus (successfully) rejected by employers.[17] Finally, some remaining Western European countries such as France belong to a third variety of capitalism, sometimes described as "Mediterranean" or "statist," which is characterized by high levels of state intervention, not least in the form of strict dismissal protection.[18] However, in stark contrast to the liberal and coordinated varieties, this model is not economically efficient and thus prone to underperform. As a result, employers in these countries reject job security regulations.

Generally, the varieties of capitalism framework is quite static. According to Crouch,[19] it is "fixed over time" and makes "no provision for changes in characteristics." Rather,

models of capitalism are in a state of equilibrium and change only in case of an exogenous "shock." Less is known about the origins of these different varieties of capitalism. However, they are typically dated to periods before World War II.[20] Iversen and Soskice[21] even identify *pre*-industrial forms of economic coordination as the main determinants of these varieties of capitalism. In this perspective, employers in coordinated market economies have *always* understood the benefits of job security regulations, while employers in liberal market economies have *always* understood that job security regulations were not consistent with their production strategies based on coordination through market and high levels of flexibility.

Authors informed by a more conflict-oriented perspective have been quick to criticize the varieties of capitalism framework for its disregard of power and political conflict.[22] However, these authors have paid little attention to job security regulations despite the important role of job security regulations in national models of capitalism. Hence, in the following, I develop an alternative theoretical account of the historical development of job security regulations in Western Europe, which is more attentive to the role of conflict but also the power implications of institutions. Theoretically, this account is based on recent historical institutionalist scholarship but also earlier accounts of continuity and change in capitalist societies.[23]

How can we explain the historical development of job security regulations in Western Europe? I start from the premise that institutions like job security regulations are permanently contested, in particular because they influence the balance of power between capital and labor. First, job security regulations protect union representatives and members against arbitrary dismissals.[24] If not for dismissal protection, employers who are hostile toward unions and collective bargaining could simply fire all union members and representatives. Second, successful campaigns to improve protection against dismissal can enhance the job security and welfare of workers represented by unions, thus increasing the attractiveness of union membership.[25] Third, job security regulations may also be a source of power. Dismissal protection can give unions an important role in the administration of dismissals.[26] This role may entail the right to be consulted in case of dismissals, the right to bargain over the selection of employees to be dismissed, or the right to veto dismissals. In any case, unions gain a say in managerial decisions.

This view implies that unions must force job security regulations upon reluctant employers. However, in all Western European countries unions are typically in a weaker position than business.[27] Therefore, unions must hope for periods in which their power resources temporarily exceed employers' power resources. For instance, the two world wars created exceptional circumstances that gave rise to critical junctures, which may be defined as "relatively short periods of time during which there is a substantially heightened probability that agents' choices will affect the outcome of interest."[28] In the immediate postwar period, the combination of economic turmoil, left wing empowerment and radicalization, and right wing legitimacy crisis created a fertile ground for radical labor market reforms, while employers were keen on regaining political stability.[29]

If job security regulations are typically forced upon reluctant employers, they are likely to reflect these foundational conflicts of interest. Put differently, job security regulations are historical legacies of power struggles and permanently contested by those that disapprove of the institutional status quo.[30] In the context of job security regulations, this view implies that employers are constantly looking for new ways to regain the level of flexibility that they consider necessary.[31]

Hence, once the first restrictions have been enacted, I expect employers to push for their deregulation. However, outright deregulation may not always be a possible option because the political opposition is too strong for any deregulation initiative to succeed. In such situations, I expect employers to look for alternative ways to increase labor market flexibility. In particular, proponents of reform may try to change the effectiveness of institutions by intervening at the implementation stage of regulations.[32]

Regulations are always incomplete and therefore leave some room for interpretation and discretion. In the case of contested institutions such as job security regulations, the level of discretion in the interpretation and enforcement is particularly important. Both political winners and losers are concerned with the connection between institutions and effectiveness. Because institutions work to the benefit of political winners, they are interested in institutions that ensure that their favored policies are carried out as effectively as possible. In contrast, political losers can be expected to press for institutions that depart from effective performance. The political winners thus face the strategic problem of keeping institutions on target, or "of keeping them from drifting."[33] In contrast, political losers have a strong interest in maximizing institutional ambiguity in the rules to allow for deviations.

These arguments point to possible strategies employers can use to increase labor market flexibility once the first restrictions are in place. Given the unions' strength in the postwar period and their opposition to any significant retrenchment of job security regulations, I expect employers to exploit ambiguities in the rules to increase numerical flexibility. At the workplace in particular, employers have significant economic and informational advantages over unions. They can use these power advantages over unions to continue their employment strategies of hiring and firing at will, thereby creating a difference between formal rule changes and behavioral changes (or the lack thereof). This strategy of institutional "drift" is possible because the normalization of postwar politics, and the application of nationally devised rules at the (local) workplace level constitute a shift in external conditions: rules devised at the national level during periods of labor movement strength are now applied at the local level where employers are often considerably more powerful than unions. Employers, instead of adapting their behavior to the new formal regulatory regime (created in the immediate postwar period), thus circumvent regulations at the workplace by taking advantage of ambiguity in the rules.

Such institutional drift is not in the interest of proponents of dismissal protection such as unions, so they can be expected to look for responses to this new situation. The most straightforward way to combat institutional drift is to reduce the level of

discretion in the interpretation and enforcement of rules. In particular, political actors interested in keeping institutions from drifting can push for new regulations that leave as little as possible to the discretionary judgment of proponents of high levels of numerical flexibility and allow monitoring of the interpretation and enforcement of regulations.[34] Hence, I expect unions to take advantage of critical junctures that give them temporary power advantages over employers to not only push for more restrictive job security regulations but also for new regulations that give them an active role in the administration of dismissals that allows them to monitor and possibly sanction employers' behavior.

However, the active participation of unions in the administration of dismissals is not only a way to combat institutional drift. Rather, such institutions can also become means by which unions exercise influence. For instance, unions' institutionalized role in the administration of dismissals allows them to codetermine personnel policy and bargain for concessions. Hence, job security regulations are not only the historical legacies of power struggles but can, once "institutionalized," also turn into sources of power by themselves.[35] As I argue below, the reforms of job security regulations in the late 1960s and 1970s changed the strategic outlook for unions because unions had gained an interest in defending their role in the administration of dismissals. The reforms of the late 1960s and 1970s thus gave rise to a path-dependent process: political legacies of past struggles now began to shape union interests.

Once the room for interpretation is minimized and employers' behavior properly monitored, institutional drift is no longer a promising option for employers interested in more numerical flexibility. In such situations, proponents of reform have, following Mahoney and Thelen's[36] influential model of institutional change, only two strategies left: as a function of the strength of opponents to reform (i.e., unions), employers can either push for institutional layering (strong opponents) or the dismantlement of the institution (weak opponents). In the case of job security regulations, layering implies the creation of new contractual forms such as fixed-term contracts that provide more numerical flexibility than standard employment relationships. In this case, due to successful resistance by unions, the regulation of open-ended contracts is not changed. Rather, the reforms lead to two-tier labor markets that distinguish between so-called insiders with protected jobs and outsiders in precarious employment.[37] In contrast, dismantlement implies the erosion, active removal, or limiting of dismissal protection in case of open-ended contracts, which is made possible by the weakness of opponents to reform.

Facing employers' demands for flexibility, unions face a strategic dilemma: given their interests, unions might be best served to fight any deregulation initiative. However, complete opposition to reform is a risky strategy, in particular in recent decades that are characterized by an ever-increasing power disparity between employers and unions.[38] Most importantly, complete opposition carries the risk of failure. In this situation, unions would have few means left to influence reforms and the likely outcome would be the dismantlement of job security regulations. In addition, such a strategy might move the role of unions to the center of attention. If unions are

perceived to be the main obstacle to necessary reform, deregulatory activities may first target the position of unions before they refocus on public policy making.

Hence, unions might be better served by showing some basic willingness to compromise and to act "responsibly" given employers' proclaimed need for labor market flexibility. A compromise strategy has the additional advantage of securing influence on the direction of change.[39] But what would the unions be willing to accept? I submit that for unions the most acceptable reforms are two-tier reforms that deregulate temporary employment but leave open-ended contracts untouched.

Unions have both organizational and representational interests in defending dismissal protection in case of open-ended contracts. As regards organizational interests, job security regulations often give unions an institutional role in the administration of dismissals. These regulations, mostly the result of reforms enacted in the late 1960s and early 1970s, are important to unions because the institutional role in the administration of dismissals often makes employers dependent on union cooperation in workforce reductions and thus allows unions to extract benefits in return for cooperation. For instance, their institutional role allows unions to negotiate the compensation of workers in the form of redundancy pay and training measures.[40] In addition, their institutional role allows unions to represent dismissed workers in court and protect union delegates against dismissal. Crucially, the unions' role in the administration of dismissals is almost exclusively linked to the regulation of open-ended contracts because the unions' administrational involvement typically concerns the number and selection of workers to be dismissed, the level of redundancy pay or, the development of social plans. In contrast, unions play little role in the case of temporary contracts.

As regards representational interests, unions must represent their members' interest in welfare maximization to justify membership,[41] for instance by protecting workers against dismissal. Given the overrepresentation of workers in standard employment relationships among the union rank and file, unions are more likely to agree to reforms that increase labor market flexibility at the expense of atypical workers if this implies that they can prevent reforms that disadvantage their core clientele, workers on open-ended contracts.[42] Put differently, if under pressure to allow for more labor market flexibility, unions are likely to prioritize the interests of their members and thus assent to two-tier labor market reforms. Hence, in the case of job security regulations, *both* organizational and representational interests point to the same conclusion: under pressure to allow for labor market flexibility, unions assent to the deregulation of temporary employment in order to protect their organizational and representational interests.

Business cycle dynamics play an important role in this process because they influence the balance of power between capital and labor. The economic boom following the immediate postwar period reduced the salience of job security regulations, which made the employers' strategy of institutional drift possible. Once structural change began to intensify in the 1960s, calls for better protection against dismissal immediately reappeared. In this period, unions were in a strong position to demand better

protection against dismissal thanks to full employment and unions' central role in the macroeconomic management. However, this period of union strength was short lived because the two oil price crises brought back mass unemployment, which undermined the unions' bargaining position. Hence, apart from the immediate postwar period, business cycle dynamics are a crucial factor influencing the postwar development of job security regulations in Western Europe.

Contested Institutions: the Reform of Job Security Regulations since the Postwar Years

In this section, I document the historical development of job security regulations in France, Germany, Great Britain, and Sweden. The discussion is organized in five chronological periods: the immediate postwar period, the economic recovery period in the 1950s and 1960s, the resurgence of class conflict in the late 1960s and early 1970s, the catalytic conflict between the British Conservatives and the unions in the late 1970s and 1980s, and, finally, the period of two-tier reforms from the mid-1980s onward. Due to space considerations, this section is unlikely to do justice to these often conflict-ridden and protracted political processes, in particular with regard to moments of strategic choice. Nevertheless, I hope that the following pages are sufficiently detailed to demonstrate the interactions between unions and employers in the development of job security regulations (see Tables A1 to A4 in the Appendix for an overview of the major reforms in the four countries). The empirical evidence used in this article originates from a research project that documents the historical development of dismissal protection in eight Western European countries with long traditions of democratic government from the late-nineteenth century until today.[43]

The Expansion of Job Security Regulations in the Immediate Postwar Period

World War II had unequal effects on Western European countries. Among the countries covered by this analysis, the war led to major economic crises in France and Germany but not in Great Britain and Sweden. In a similar vein, the war left part of the political right discredited due to warmongering (Germany) or collaboration with the occupants (France). Finally, the political left emerged stronger from the conflicts due to its important role in national resistance movements and the role of the Soviet Union in defeating Nazi Germany. Hence, in the immediate postwar period, the window for institutional change was wide open, in particular in France and Germany.

The radicalized and empowered political left had thus a disproportionate influence on public policy making in the immediate postwar period until the onset of the Cold War in 1947 began to slowly shift the political center of gravity back to the right. In this period, national unity governments consisting of left (including far left) and center-right parties passed a series of acts that significantly increased protection against dismissal in France and Germany.[44] The most known examples include the 1951

Dismissal Protection Act in Germany and the three ordinances passed in 1945 in France that introduced the public authorization of dismissals for economic reasons and gave work committees a say in the selection of workers to be fired.[45]

The German Dismissal Protection Act was passed relatively late considering the changing political climate in the postwar period (for example, the Truman Doctrine was announced in March 1947). However, Germany is a special case given its central role in World War II and its occupation by the allied forces until 1949. Hence, it took much longer to return to "normal" politics.[46] In any case, it is clear that the 1951 Dismissal Protection Act was still strongly influenced by the specter of war and was first and foremost the result of unions using their power resources to force employers to agree to painful compromises.[47]

The unions and the radical left were the driving force behind the extension of dismissal protection in both countries. For instance, better protection against dismissal was a prominent demand of the communist-led resistance movements in France[48] and subsequently enacted by national unity governments immediately after the war. In a similar vein, German unions embraced an antagonistic position towards employers' associations, especially in the field of codetermination, and demanded far-reaching regulatory interventions into the economy.[49]

In Great Britain and Sweden, the political left also became stronger but these two countries did not experience similar periods of working class radicalization because of their better economic situation and the absence of wartime collaboration. Nevertheless, the British and Swedish labor movements began pushing for further regulations, in particular with regard to codetermination in personnel matters, immediately after the end of the war. However, in both countries, employment conditions were traditionally regulated by means of collective agreements and not statutory legislation.[50] Hence, unions pushed for better protection by means of contract.

In Sweden, the Saltsjöbaden Agreement was revised in 1947 to include some new but ultimately limited elements of protection against dismissal.[51] Employers now had to inform a new joint council about upcoming dismissals but employers retained the right to dismiss the employees. Industrial action remained the only way employers could be forced to withdraw a dismissal.[52] Similarly, British unions continued to abide by its tradition of voluntarism. No statutory regulations were requested despite the Labour Party's control over government from July 1945 to October 1951.[53] Instead, the unions focused on expanding the system of shop floor stewards.[54] Overall, labor law remained without any role in the regulation of job security in both Great Britain and Sweden.

Taking Advantage of Institutional Drift to Achieve Flexibility in the 1950s and 1960s

In the early 1950s, workers in France and Germany benefitted from significant protection against dismissal, while British and Swedish employers faced no statutory restrictions on their ability to hire and fire at will. However, protection against dismissal in France and Germany was stronger on paper than in reality.[55]

Job security regulations in the first decades after World War II were characterized by institutional drift. Drift denotes how the impact of institutions changes as a result of shifts in the external conditions even though the rules remain formally the same.[56] In the case of job security regulations, institutional drift occurred because employers still had enough discretion in the workplace to circumvent regulations and works councils. After the short period of postwar radicalization during which most of the new acts were passed was over, employers were again able to do as they pleased on the workplace level. This employer behavior resulted in accusations by unions that employers systematically violated the spirit of the postwar settlement.[57] Often, however, employers simply took advantage of the level of discretion in the interpretation and enforcement of rules to maximize their managerial authority.

It is difficult to document institutional drift in the 1950s and 1960s because it is in the nature of drift that it goes rather unnoticed. In addition, full employment had changed job security regulations from a high salience issue in the immediate postwar years to a low salience one in the 1950s and 1960s. Rather than job security regulations, interest groups were typically more concerned with more immediate issues such as wages. Job security regulations regained salience only in the late 1960s when structural change intensified and dismissals became more common. Not surprisingly, calls for better protection against dismissals immediately followed suit.[58]

Nevertheless, the available evidence clearly points to the presence of institutional drift. For instance, in Germany, employers often bypassed works councils in personnel matters.[59] In addition, employers were, despite the stipulations of the 1951 Dismissal Protection Act, typically successful in avoiding the reinstatement of wrongfully dismissed workers (claiming that reinstatement was not acceptable). Clark[60] reports that only about "one-third of all cases […] are ended by reinstatement of the workman." Blanke[61] adds that "a number of loopholes" made the Dismissal Protection Act "inadequate."

In a similar vein, French job security regulations are described as "weak and ineffectual" and with stronger focus on "the sanctity of the employers' proprietary and contractual rights than elsewhere."[62] In addition, according to French regulations, employees typically carried the burden of proof. Because it is, however, often difficult to prove the true reasons for a dismissal, French workers had no real protection against arbitrary dismissals.[63] With regard to the public authorization of dismissals for economic reasons, this increasingly turned into a simple additional administrative step after the compulsory consultation of the works committees and did therefore not substantially improve protection against dismissal.[64]

Riding the Wave of Protests to Improve Protection and Fight Institutional Drift

Unions soon noticed the stark discrepancy between postwar ambitions and economic realities. They started to challenge this established order by requesting further regulations. In particular, unions wanted to fight institutional drift by reducing the level of

discretion in the interpretation and enforcement of rules and creating monitoring bodies that control the decision makers' behavior.[65] But given the economic and political situation in the 1950s and early 1960s the unions lacked the opportunity to enforce any change.

The opportunity, however, arrived in the late 1960s. A wave of labor unrest swept over Western Europe that empowered unions to enforce better protection against dismissal. The triggering events were the May 1968 protests in Paris that quickly diffused to all other European countries. Originally spontaneous student protests, the May 1968 demonstrations soon brought workers to the street, especially after the French Communist Party and the Communist Trade Union Federation had called for a general strike.[66] The protests in France were a catalyst for labor unrest in other countries. Hence, in the late 1960s, all of Western Europe witnessed a resurgence of class conflict.

The protests were fed by two main factors: On the one hand, the protests were a reflection of the increasing dissatisfaction among certain societal groups, including the labor movement. Next to ineffectual job security regulations, Western European workers were discontent about the slow growth of wages, the lack of codetermination in labor matters, and inadequate social benefits.[67] On the other hand, years of strong economic growth and full employment policies had empowered but also radicalized the labor movement.[68] Hence, unions became increasingly aggressive in demanding improvements in working conditions, wages, and job security. As Sassoon[69] notes, "workers were eager to obtain more of the fruits of capitalism."

Western European governments responded to labor unrest by implementing some of the major demands. In particular, most Western European governments dramatically improved protection against dismissal. Notable examples include the British 1971 Industrial Relations Act, the French acts of 1973 and 1975, the German 1972 Works Constitution Act, and the Swedish 1974 Employment Protection Act. These acts, however, did more than just improve protection against dismissal. Importantly, they also strengthened the role of unions in the administration of dismissals by empowering local union branches or works councils and by awarding these actors with consultation or even codetermination rights (with the exception of the 1971 British Industrial Relations Act).

Both the French and German acts improved protection against dismissal in the face of workers' protests.[70] However, in both countries employment conditions were already regulated by statutory acts. In contrast, in Great Britain and Sweden, job security was regulated by means of collective agreements. Until the 1960s (in case of Sweden the 1970s), statutory labor law did not even regulate notice periods. Hence, in particular the 1970s witnessed a significant departure from the British and Swedish models of "agreement in preference of legislation."[71]

Swedish unions had begun to demand better protection against dismissal in the late 1960s after facing increasing criticism from their rank and file.[72] However, in collective negotiations, employers proved to be nonaccommodating. Hence, unions abandoned the consensual Swedish model and turned to the political arena. As noted by

Swenson,[73] "beginning around 1969, the labor confederation shifted into confrontational gear, willfully choosing to take full advantage of its considerable short-term situational power to violate the consensual terms of Sweden's solidaristic labor market regime." In the case of job security regulations, unions openly demanded public legislation in 1971.[74] The ruling Social Democratic Party immediately complied, resulting in the 1974 Employment Protection Act and the 1976 Codetermination Act. Hence, within a few years, Sweden went from having no statutory regulations at all to one of the strictest regimes in Western Europe.[75]

Legislation in Great Britain is a special case in the sense that job security regulations were not implemented as a result of union pressure but meant to improve the function of the labor market by encouraging workers to cooperate in case of economic restructuring and removing reasons for strike.[76] In fact, the 1971 Industrial Relations Act, although improving protection against dismissal by introducing the concept of unfair dismissal into British law, was enacted against the will of unions, not least because the 1971 act also sharply limited the unions' rights to organize and protest.[77] Passed by the rightwing Heath government, the act improved protection against dismissal *in order to* reduce the role of dismissals in industrial action. The incoming left-wing Wilson government repealed most of the antiunion stipulations in 1974 and 1975 but retained the articles that had improved dismissal protection.[78] Hence, unlike their Swedish counterparts, British unions did not seek statutory regulations. Nevertheless, it was industrial action that prompted the government to enact statutory regulations in the hope of pacifying the overly conflictual British industrial relations.

In parallel to these changes of dismissal protection law, the regulation of temporary employment gained in importance in the 1970s. As long as there was hardly any protection against dismissal in the case of open-ended contracts, the distinction between fixed-term and open-ended contracts was largely inconsequential. However, as protection against dismissal in case of open-ended contracts improved, the danger of employers using fixed-term contracts to circumvent dismissal protection increased.[79] Hence, new acts in the 1970s tightly restricted the recourse to fixed-term contracts in France, Germany, and Sweden. In contrast, regulations remained more flexible in Great Britain.[80]

Next to fixed-term contracts, temporary work agencies also increasingly received political attention. Their legal status was unclear in most Western European countries, many of which, including France, Germany, and Sweden, had banned the activities of profit-seeking private employment services in the years around World War 2. However, it was unclear whether the ban also extended to temporary work agencies.[81] While France, Germany, and Sweden drastically curtailed the activities of temporary work agencies, Great Britain enacted a more liberal regime.[82]

Toward the end of the 1970s, the red wave that had swept over Western Europe began to lose power. The economic problems of the late 1970s gave rise to a new neoliberal orthodoxy and monetarist economics. The new focus on supply-side economics in deindustrializing societies and the increasing internationalization of trade and finances shifted the balance of power in favor of employers and business

representatives. At latest by the early 1980s, the tables had turned and business moved into the driver's seat. This new economic and political situation put unions on the defensive, particularly in times of economic crisis. Soon, unions began facing demands for the deregulation of job security.

The Rise of Thatcherism and the Demise of British Unions

The economic situation in Great Britain deteriorated sharply in the 1970s. Much of this deterioration was attributed to the "British disease," in other words, the excessive militancy of British unions.[83] The "Winter of Discontent" of 1978-79 became a symbol of the inability of both Conservatives and Labour to pacify the unions. Great Britain was getting ready for a radical change. In 1979 Margaret Thatcher replaced the unsuccessful Labour government, controlling a solid majority in parliament.

Thatcher rejected any cooperation with unions. Rather, it was her goal to restore the authority and autonomy of the state. Hence, she refused to grant unions any role in public policy making. Moreover, she was convinced that increasing unemployment would induce unions to moderate their wage demands and lessen their militancy.[84] This break with the past was certain to trigger hostile reactions from the unions. However, Thatcher was prepared. Before her election in 1979, she had prepared a report on how to deal with threats from political opponents, in particular unions. The report was particularly detailed on how to deal with strikes in the coal industry, which was identified as the most likely battlefield between the government and the unions.[85] The preparations for the expected conflicts with the unions clearly show that Thatcher considered the unions as the main obstacle to the implementation of the government's political program.

Hence, Thatcher did not only implement her political program, she also pushed for a series of measures that reduced union power.[86] First, the government reduced the role of agencies and councils with union participation. Second, the government empowered employers to resist union demands, for instance by enhancing employers' freedom to dismiss workers involved in industrial action. Third, the government regulated unions' decision-making procedures. This last point is particularly important as it led to the prohibition of closed shops, removed the unions' right to discipline members for refusing to participate in industrial action, and imposed on unions complicated consultation procedures before industrial action could be taken. By the end of the 1980s, Thatcher had changed the British political and industrial landscape beyond recognition despite desperate attempts by the once powerful British unions to stop her (for example, the 1984-85 miners' strike).

In parallel, Thatcher dismantled dismissal protection. Already in 1979 the government extended the qualifying period of service for complaints about unfair dismissal from six to twelve months (extended to two years in 1985) and reduced the compulsory consultation period with recognized unions about impending redundancies.[87] Acts in 1980, 1982, 1985, 1989, and 1990 further reduced protection against dismissal. Hence, although the Thatcher government did not completely repeal dismissal

protection law, it managed to restrict its scope, most notably by extending the qualifying period of service for complaints and by complicating the procedure for filing unfair dismissal claims.

Two-tier Reforms to Increase Labor Market Flexibility

Outside Great Britain unions also faced demands for the deregulation of job security. What is more, the fate of the once-powerful British unions was widely noticed and thus galvanized the unions' attention in the rest of Europe.[88] Certainly, the Thatcher revolution occurred under particular circumstances (single-party government, few institutional veto points, weakened political opposition), making a repetition in other countries difficult to achieve, but the events in Great Britain clearly documented that, given the shift in the balance of power, fundamental opposition to reform might lead reformers to target the role of unions first before they would return to job security regulations. Hence, the demise of the British unions certainly changed the other unions' strategic outlook and increased their willingness to compromise.

The unions' willingness to make concessions translated into two-tier reforms in France, Germany, and Sweden. In these countries, deregulatory reforms focused almost entirely on temporary employment because reform attempts that targeted open-ended contracts triggered ferocious union opposition. In addition, incoming center-left governments, supported by the unions, often repealed the few successful reforms of dismissal protection in case of open-ended contracts. In contrast, the numerous reforms that deregulated temporary employment were rarely revoked.

In Germany, deregulatory reforms were first enacted by the center-right Kohl government. The 1985 Employment Promotion Act introduced fixed-term contracts of up to 18 months (previously six months) and extended the maximum duration of assignments by temporary work agencies from three to six months.[89] The Kohl government initially refrained from further reforms after economic growth had picked up pace in the second half of the 1980s. However, the postunification labor market problems led to renewed reform activity. Although the 1993 and 1997 Job Placement Acts further increased the maximum duration of assignments by temporary work agencies, the 1996 Employment Promotion Act introduced, next to allowing for fixed-term contracts of up to 24 months, the first substantial restriction of dismissal protection in the case of open-ended contracts. Against union opposition the Kohl government increased the firm size threshold under which dismissal protection laws would *not* apply from six to eleven employees.[90]

German unions opposed the retrenchment of dismissal protection in case of open-ended contrasts. Hence, they supported the opposition Social Democrats in the upcoming election under the condition that these restrictions would be repealed. As a result, the new center-left Schröder government was quick to enact the so-called 1998 Correction Act.[91] Interestingly though, the Schröder government did not repeal the reforms that had led to the deregulation of temporary employment. Quite the contrary, after labor market conditions had begun to deteriorate once again, the Schröder

government passed several new acts (in 2000, 2001, 2002, and 2003) that deregulated temporary employment even further.[92]

These reforms of the regulation of temporary employment did not trigger much opposition from the unions. The same cannot be said about the last reform of job security regulations enacted by the Schröder government. The 2003 Labor Market Reform Act recycled the 1996 reform by the Kohl government that had increased the firm size threshold under which dismissal protection laws would not apply from six to eleven employees (and that the Schröder government had repealed in 1998). Despite union protests, the Schröder government did not withdraw the reform. However, the conflict permanently damaged the relationship between the Social Democratic Party and German unions and gave rise to a new far left party.[93]

In France, the reorientation of labor market policy occurred under a socialist government. The Socialists had significantly restricted the recourse to fixed-term contracts and temporary agency work in 1982. However, facing rising unemployment rates, they deregulated temporary employment again in 1985, allowing for instance for fixed-term contracts of up to two years if the hired worker had been unemployed for more than a year or if the company was facing exceptionally large orders.[94] In 1986 the new conservative government went even further, allowing for fixed-term contracts and temporary work assignments of up to two years in all circumstances and, importantly, also abolished the prior administrative authorization of dismissals for economic reasons.[95]

However, both the Socialist Party and French unions opposed these reforms. Hence, after the successful 1988 election, the new socialist government immediately strengthened dismissal protection in case of open-ended contracts, but instead of reintroducing the prior system of administrative authorization, the 1989 act introduced, with union consent, the obligation for all companies with more than fifty employees to formulate social plans in case of redundancies involving at least ten employees, the right to retraining contracts, greater information and consultation rights for works councils, and social selection criteria.[96] Further legislation in 1993 introduced minimum requirements for social plans and reinforced the power of administrative authorities to supervise social plans.[97]

With regard to the regulation of temporary employment, the socialist government passed an act in 1990 that restricted the recourse to temporary employment, like the 1982 acts, to three specific cases (replace absent workers, temporary increase in workload, and work of an inherently temporary nature). However, unlike the 1982 acts, the 1990 act continued to allow for a maximum duration of eighteen (twenty-four in exceptional circumstances) instead of six months.[98]

Concerns about labor market conditions forced the French government's hand once again in the early 2000s. In 2002 a socialist government passed an act that introduced new procedural requirements and a more restrictive definition of collective dismissals for economic reasons, but the incoming conservative government immediately repealed these new restrictions.[99] Instead, the conservative government proposed two new open-ended employment contracts, which differed from regular employment contracts with respect to an initial two-year period during which the normal provisions for protection against dismissal were suspended. However, the

government was forced to withdraw these proposals after union protests and following criticism by French courts.[100] The conservative government, however, successfully introduced a new fixed-term contract that allows for a duration of up to thirty-six months but whose applicability is restricted to engineers and higher-level white-collar employees.[101]

In Sweden, the deregulation of temporary employment began under the center-right Fälldin government, which, however, did not dare to openly challenge the unions.[102] As a result, the 1982 act introduced only two new fixed-term contracts of up to six months in case of temporary peaks in the employers' workload and for probationary periods, while dismissal protection in case of open-ended contracts remained untouched despite employers' demands.[103]

The next center-right government was bolder. In 1993, the Bildt government abolished any restriction with regard to the content of work and the duration of assignment in case of temporary work agencies.[104] In the same year, the Bildt government also extended the maximum duration of fixed-term contracts to twelve months and allowed employers to exempt two employees from the system of priority listing in case of dismissals for economic reasons.[105] Unions opposed in particular the reform of the system of priority listing. Hence, after the Social Democrats returned to power in 1994, the reform was immediately repealed.[106]

Demands for more labor market flexibility, however, did not disappear. Hence, both the center-left Persson government (in 1996) and later the center-right Reinfeldt government (in 2007) passed acts that deregulated the recourse to fixed-term contracts. Today, Swedish employers can offer fixed-term contracts of up to twenty-four months without providing any justification for fixing the term of the contract.[107] As a result, Sweden, just like France and Germany, experienced the creation of two-tier labor markets. While the regulation of dismissal protection in case of open-ended contracts was left largely untouched, temporary employment (both with regard to fixed-term contracts as well as temporary work agencies) was significantly deregulated over the last thirty years.[108]

Importantly, unions did not push for these two-tier reforms. Rather, under pressure to allow for more labor market flexibility, unions assented to the deregulation of temporary employment, while fighting any reform of dismissal protection in case of open-ended contracts. But why did unions take this position? The empirical evidence clearly points to the importance of organizational and representational interests. Given the membership composition of unions and their institutionalized role in the administration of dismissals, unions had good reasons to prioritize the regulation of open-ended contracts over the regulation of temporary employment. This way, unions could protect the interests of their core members as well as their important roles in company personnel policies, which are typically linked to open-ended contracts.

Conclusions

In this paper I have analyzed the historical development of job security regulations in Western Europe since World War II. Contrasting a static skill-based view, which

emphasizes consensus between employees' and employers' organizations and the central role of job security regulations in national models of capitalism, with a more conflict-oriented approach based on power resources theory, recent advances in historical institutionalism, but also earlier accounts of models of capitalism, I have developed a new theoretical argument that, I submit, can better account for the cross-national and temporal variations in the levels of job security regulations in postwar Western Europe.

In a nutshell, I have argued that unions are the main drivers behind the expansion of job security regulations. However, given employers' opposition, unions can enforce better job security regulations only during critical junctures such as the immediate postwar years or the years of workers' protests in the late 1960s and early 1970s. Outside these relatively short periods, employers have tried to take advantage of institutional ambiguity to deviate from formal rules. As the empirical evidence has demonstrated, institutional drift was indeed an important problem in the 1950s and 1960s.

Unions addressed the problem of widespread institutional drift during the critical juncture in the late 1960s and early 1970s. In particular, unions relied on two strategies to improve protection against dismissal: First, they pushed for new and tougher regulations that minimized the employers' discretion in the interpretation and enforcement of rules. Second, they pushed for monitoring bodies that could observe and potentially sanction employers' behavior, preferably with their participation.

However, the wave of workers' protest that washed over Western Europe in the late 1960s and early 1970s and that led to a series of significant reforms of dismissal protection began to lose power in the late 1970s. Business representatives were now moving into the driver's seat and began to demand more labor market flexibility. They still do so today. Facing pressure to allow for more labor market flexibility, unions typically assented to the deregulation of temporary employment, while remaining firm in the case of the regulation of open-ended contracts. This strategic response has three significant advantages for unions: First, it does not turn them into a target for reform (as in the British case). Second, it allows them to protect their members' interests (typically workers on open-ended contracts). Third, it safeguards the unions' organizational interests (in particular the institutional roles unions had acquired in the 1970s in the administration and monitoring of dismissals).

Next to these general dynamics of postwar capitalism, there are also important cross-national differences. In the immediate postwar period, both France and Germany improved statutory protection against dismissal. In contrast, Great Britain and Sweden, which did not experience the same kind of postwar radicalization of the labor movement, continued to rely on the regulation of job security by means of collective agreements. This situation changed in the 1970s, when these two countries turned to the statutory regulation of job security. By the late 1970s, the four countries offered roughly similar levels of protection against dismissal in case of open-ended workers.

However, Great Britain soon diverged from this group by dramatically retrenching job security regulations (and weakening the trade unions' position in the labor market) from 1979 onward. Although it would be tempting to attribute this departure to differences in varieties of capitalism, such a conclusion would probably be wrong. In all four countries, the political right and the business community was committed to the deregulation of job

security but only in Great Britain does the political system award the government with the capacity to enforce these reforms against the will of the labor movement.[109]

After a series of deregulatory reforms in the 1980s, Great Britain had one of the most flexible labor markets in Western Europe (next to Denmark, Ireland, and Switzerland). In contrast, attempts to dismantle protection against dismissal in case of open-ended contracts met massive union resistance in France, Germany, and Sweden. In these countries, reforming governments instead turned to the deregulation of temporary employment to increase labor market flexibility, which resulted in two-tier labor markets. Hence, in these countries, temporary employment is an important source of labor market flexibility. According to Eurostat data, the share of temporary employees as a percentage of the total number of employees amounts in 2013 to 16.4 percent in France, 13.5 percent in Germany (14.8 percent in 2011), and 16.3 percent in Sweden. In contrast, in Great Britain the share amounts to only 6.1 percent.[110]

The argument presented in this article highlights the complex relationship between power and institutions. Historical institutionalism correctly stresses that institutions are the political legacies of past struggles and are therefore often permanently contested. However, what is often overlooked is that once these political legacies of past struggles have become institutionalized (for example, in the form of laws that award unions codetermination rights in case of dismissals), they can turn into independent sources of power, thereby affecting "the interpretation [actors] put on their own interests, and thus the direction of their influence."[111]

Moreover, institutions are not set in stone. As the analysis of the politics of job security regulations demonstrates, institutions, enacted at the national level in periods of labor movement strength, may be circumvented at the workplace where employers have power advantages because regulations leave ample room for discretion in the interpretation and enforcement. In addition, changes in the balance of power between capital and labor may lead to political attacks on these institutions. In recent years, unions have struggled to mobilize the workforce and have seen their membership dwindle. In such a political context, power resources that are not a function of the unions' mobilization capacity increase in importance and are thus worth defending.

These institutional power resources were typically the result of union mobilization in the late 1960s and early 1970s and awarded unions an important role in the administration of dismissals at the workplace. However, once institutionalized, these power resources became to a large extent independent of union mobilization. Nevertheless, they can be challenged in the political arena. As the analysis of the politics of job security regulations demonstrates, unions are aware of the increasing importance of institutional power resources in times of dwindling membership, thereby giving rise to a path-dependent process: political legacies of past struggles now shape union interests.

In particular, while unions might no longer have the mobilization capacity to expand job security regulations, they are still sufficiently strong to influence the direction of reform and defend what is dearest to them. In the case of job security regulations, this view implies that unions assent to two-tier labor market reforms not because unions support these reforms but rather because dismissal protection in case of open-ended contracts is crucial for unions to protect their long-term positions of power.

Appendix

Table A1. Major legislative reforms of job security regulations in France.

Law	Description
Ordinances of 22 February 1945, 24 February 1945, and 24 May 1945	Creation of work committees with consultation rights in case of dismissals for economic reasons. Introduction of public authorization of dismissals for economic reasons and social selection criteria in case of collective dismissals.
Act of 13 July 1973	Introduction of protection against arbitrary dismissal: reasons for dismissal have to be "genuine and serious." Introduction of mandatory hearing with redundant worker. Burden of proof is no longer on employee. Labor courts are to investigate the arbitrariness of dismissal.
Act of 3 January 1975	Strengthening of consultation rights of work committees in case of collective dismissals, including the definition of social selection criteria. Expansion of obligation to obtain public authorization in case of collective dismissals.
Ordinances of 5 February 1982	Use of fixed-term contracts and temporary agency work is restricted to few specific situations, while the duration of temporary employment is limited to six to twelve months. Precarious employment allowance is set to 5 percent (fixed-term contract) and 15 percent (temporary agency work), respectively, of total gross pay over the employment period.
Act of 25 July 1985 and Ordinance of 11 August 1986	Extension of maximum duration of fixed-term contracts and temporary work assignments to twenty-four months. Employers are given the freedom to choose in all situations between temporary and open-ended contracts.
Act of 30 December 1986	Abolition of prior administrative authorization in case of economic dismissals.
Decree of 2 August 1989	Obligation to formulate social plans in case of redundancies involving at least ten employees for firms with more than fifty employees (minimum requirements introduced in 1993). Introduction of social selection criteria in case of dismissals for economic reasons.
Act of 12 July 1990	Recourse to temporary employment restricted to three specific cases, the maximum duration of temporary employment is set to eighteen months, while the precarious employment allowance is set to 6 percent (fixed-term contract) and 10 percent (temporary agency work), respectively.
Act of 17 January 2002	New procedural requirements and more restrictive definition of collective dismissals (suspended in 2003). Precarious employment allowance is set to 10 percent in case of fixed-term contracts.
Act of 25 June 2008	New fixed-term contract allowing for a duration of thirty-six months (restricted to engineers and higher level white collar employees).

Source: Patrick Emmenegger, *The Power to Dismiss: Trade Unions and the Regulation of Job Security in Western Europe* (Oxford: Oxford University Press, 2014).

Table A2. Major legislative reforms of job security regulations in Germany.

Law	Description
Works Council Act 1920	Prohibition of dismissals that are not related to personal conduct or the situation of firm (right to appeal given to works councils). Workers are entitled to compensation in case of arbitrary dismissal. Introduction of severance pay (up to half of the annual salary).
Dismissal Protection Act 1953	Introduction of individual right to appeal against dismissals, the right to reinstatement in case of arbitrary dismissal and of social selection criteria. Maximum severance pay is set to one annual salary.
Works Constitution Act 1972	Strengthening of trade union position in works councils, in particular the consultation and codetermination rights of works councils in personnel policy.
Private Employment Agencies Act 1972	Introduction of obligation to have open-ended employment relationship between temporary work agency and temporary worker. Assignments are limited to maximum duration of three months.
Employment Promotion Act 1985	Introduction of fixed-term contracts of up to eighteen months (previously restricted by case law). Maximum duration of assignments by temporary work agencies extended to six months.
Job Placement Act 1993	Maximum duration of assignments by temporary work agencies extended to nine months.
Employment Promotion Act 1996	Firm size threshold for dismissal protection law to apply is lifted from six to eleven employees (repealed in 1998). Introduction of exhaustive list of social selection criteria in case of collective dismissals (repealed in 1998). Maximum duration of fixed-term contracts extended to twenty-four months; in case of older workers (60+) the requirement to offer valid reasons is abolished.
Job Placement Act 1997	Maximum duration of assignments by temporary work agencies extended to twelve months. Introduction of fixed-term contracts between workers and temporary work agencies.
TzBfG Act 2000	Introduction of a nonexhaustive list of possible "justifying reasons" for the conclusion of fixed-term contracts (no justifying reasons needed in case of workers aged 58 or older).
Job-AQTIV Act 2001	Maximum duration of assignments by temporary work agencies extended to 24 months.
Hartz I Act 2002	Elimination of maximum duration of assignments by temporary work agencies. Abolition of requirement to offer valid reasons for fixed-term contracts in case of workers aged 52 or older (revised in 2006).
Labor Market Reform Act 2003	Firm size threshold for dismissal protection law to apply is lifted from six to eleven employees. Introduction of an exhaustive list of social selection criteria in case of collective dismissals. New fixed-term contract of up to four years without providing valid reason in case of newly established companies.

Source: Patrick Emmenegger, *The Power to Dismiss: Trade Unions and the Regulation of Job Security in Western Europe* (Oxford: Oxford University Press, 2014).

Table A3. Major legislative reforms of job security regulations in Great Britain.

Act	Description
Contracts of Employment Act 1963	First statutory regulation of job security: introduction of minimum notice periods and right to receive terms of contract in written form.
Redundancy Payments Act 1965	Introduction of severance pay up to a maximum of twenty weeks' pay.
Industrial Relations Act 1971	Protection against arbitrary dismissal: reasons for dismissal limited to four "fair reasons"; workers are entitled to compensation in case of arbitrary dismissal.
Trade Unions and Labour Relations Act 1974 (amended in 1976) and Employment Protection Act 1975	Qualifying period of service for complaints of unfair dismissal is reduced from two years to six months, maximum severance pay is increased to two years' pay and reinstatement is defined as the primary remedy in case of unfair dismissal.
Unfair Dismissal Order 1979	Qualifying period of service for complaints of unfair dismissal is extended from six to twelve months.
Employment Act 1980	Burden of proof of the reasonableness of dismissals is no longer upon the employer. Minimum level of severance pay in case of redundancy is abolished.
Employment Act 1982	Increase of compensation in case of unfair dismissal for nonmembership in trade unions.
Unfair Dismissal Order 1985	Qualifying period of service for complaints of unfair dismissal is extended to two years.
Employment Act 1989	New procedural obstacles in case of unfair dismissal claims. Qualifying period of service for the employee's right to request a written statement of reasons for dismissal is extended from six months to two years.
Employment Act 1990	The right to complain of unfair dismissal if the employee at the time of dismissal was participating in an unofficial strike is removed.
Deregulation and Contracting Out Act 1994	Abolition of licensing system for temporary work agencies.
Unfair Dismissal and Statement of Reasons for Dismissal Order 1999	Qualifying period of service for complaints of unfair dismissal is reduced to twelve months.
Employment Relations Act 1999	Substantial increase of the upper limit upon compensation for unfair dismissal. Protection against dismissal for trade union membership is improved.
Fixed-Term Employees Regulations 2002	Maximum duration of fixed-term contracts is limited to four years.

Source: Patrick Emmenegger, *The Power to Dismiss: Trade Unions and the Regulation of Job Security in Western Europe* (Oxford: Oxford University Press, 2014).

Table A4. Major legislative reforms of job security regulations in Sweden.

Law	Description
Employment Protection Act 1974	Prohibition of dismissals for insufficient objective reasons, introduction of "last in, first out" rule in case of dismissals for economic reasons and consultation rights of unions in personnel policy (expanded in 1976); the use of fixed-term contracts is restricted to few specific situations, while the maximum duration of fixed-term contracts is limited to six months.
Employment Protection Act 1982	Introduction of two new fixed-term contracts of up to six months in case of temporary peaks in workload and for probationary periods.
Temporary Working Agencies Acts 1991 and 1993	Abolition of any restriction with regard to content of work and duration of assignment in case of temporary work agencies.
Employment Protection Act 1993	Introduction of right to exempt two employees from the system of priority listing and extension of maximum duration of fixed-term contracts in case of probationary periods and in case of temporary peaks in workload from six to twelve months (both repealed in 1994).
Employment Protection Act 1996	Introduction of new type of fixed-term contract of up to twelve months that does not require any justification (but limited to a maximum of five employees on this type of contract at one and the same time). Employers receive the right to negotiate with unions at the local level about derogations from statutory regulations provided that the parties had made a central agreement in other matters. Finally, the act restricts the right to reemployment by reducing the period during which this right can be exercised from twelve to nine months.
Employment Protection Act 2000	Firms with ten employees or less now receive the right to exempt two persons from the "last in, first out" rule in case of dismissals for economic reasons.
Employment Protection Act 2007	Introduction of new type of fixed-term contract: New fixed-term contracts do not require any justification, but their maximum duration is restricted to twenty-four months.

Source: Patrick Emmenegger, *The Power to Dismiss: Trade Unions and the Regulation of Job Security in Western Europe* (Oxford: Oxford University Press, 2014).

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