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The Rise of Segmented Neo-Corporatism in South America: Wage Coordination in Argentina and Uruguay (2005-2015)

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Abstract

Argentina and Uruguay are the only democracies in Latin America (among few in the world) that have developed sustained, state-oriented national and sectoral wage bargaining between employers and unions after 2005. The article defines "segmented neo-corporatism" as a new form of centralized incomes policy in the region that applies to a substantial portion (i.e., registered workers), though not to all the labor force. Drawing on neo-corporatist theory, I explain, first, why only Argentina and Uruguay could consolidate a centralized, national wage policy in the context of the Latin American Left-Turn. Second, I test empirically the degree of state-oriented wage coordination. The study argues that monetary policy deterrence and higher levels of bargaining centralization largely explain the greater capacity of Uruguayan neo-corporatism to govern wage-setting compared with its Argentine counterpart. Finally, the article puts segmented neo-corporatism in comparative perspective in the developing world and draws some theoretical implications.

Keywords

political economy, neo-corporatism, Latin American politics, labor

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Introduction

Neo-corporatism is, for most of the social science literature, a creature of the past. After its heyday in the 1970s and 1980s in Europe, when peak-level wage coordination between state, employers, and unions proved to be an efficient tool to govern the economy in the aftermath of the Oil Crisis, each study after the other has depicted neo-corporatism's transformation or demise. Enhanced capital mobility hinders tripartite domestic economic management and fiscal compensation to workers through social policy. The surge of more flexible forms of production, coupled with the diversification of competitive pressures, has favored the decentralization if not the individuation of labor relations. The political underpinnings of neo-corporatism also eroded when social democratic parties turned to more liberal strategies and abandoned or curtailed historical partnerships with unions. Furthermore, after Maastricht and monetary integration into the Euro in 2000, many European states simply ceased to control monetary policy and the prospects of inflation, an important parameter of the old neo-corporatist bargain. Wage coordination in the world has largely been cornered to its stronghold in the coordinated economies of Nordic and Continental Europe, and mostly restricted to a sectoral game with few government inputs.[1]

In Latin America, however, neo-corporatist forms of economic management never really took hold. Low union autonomy and authoritarian regimes precluded the development of true neo-corporatist compacts for most of the 20th century. Moreover, the advent of democratization after 1980 debilitated traditional corporatist institutions, such as state authorization of national labor federations, and encouraged the diversification of interest representation. By the early 2000s, in most of Latin America, many traditional corporatist regulations also belonged to the past. Indeed, Schneider (2013) portrays Hierarchical Market Capitalism in contemporary Latin America as embodying "atomized labor relations," in many ways the polar opposite to (neo) corporatist arrangements.

In this context, the expansion of neo-corporatist forms of wage coordination, involving both national and sectoral/economic activity-wide, centralized tripartite bargains in Argentina and Uruguay in the last decade is remarkable.[2] In effect, just when both the economic and political basis of neo-corporatism melted in much of Western Europe, the traditional features associated with the concept—state-oriented, centralized wage coordination and a political exchange between a government headed by a labor-based party and a unified labor movement—became a common landscape in these peripheral, Latin American countries. Beginning in 2004 to 2005, the Frente Amplio (FA; Broad Front) in Uruguay and the Kirchners'

Peronist governments in Argentina launched and tried to coordinate a series of economic activity-wide bargaining rounds complemented by national tripartite concertation of the minimum wage, which included new specific councils for collectivities of workers, such as teachers and domestic and rural workers. In other words, wages in Argentina and Uruguay have been, since the mid-2000s, largely shaped by politics and not simply by market forces.

Significantly, the forms of centralized wage coordination that emerged in Argentina and Uruguay in the 2000s are more similar to postwar European neo-corporatism than to the historical corporatist arrangements in Latin America: Governments converge with allied and hegemonic labor movements under democratic regimes in which unions are autonomous and not controlled form above. Yet to differentiate this contemporary South American pattern from the European experience, following Etchemendy and Collier (2007), I define *segmented neo-corporatism* as a mode of peak-level negotiation in which monopolistic unions, business associations, and the government try to coordinate sector-wide wage agreements, and minimum national wage floors, which apply to a substantial portion of, though not to all, the labor force. Given the fragmented nature of the labor market in both countries, negotiated wage patterns exclude between a quarter and a third of the salaried workers.

This article has two main goals. The first is to explain why Argentina and Uruguay were the *only* two countries in the region (even in the context of left-wing resurgence in the 2000s) to develop neo-corporatist wage coordination after neoliberalism. Second, it attempts to measure and explain the degree of wage coordination in both countries, and the ability of popular sector-based parties to govern wage setting in a context of a labor offensive and liberalized economies. The study conveys two main hypotheses:

> **Hypothesis 1:** *Argentina and Uruguay share two essential institutional features, not present in the rest of Latin America, that were decisive to shape the emergence of neo-corporatism. First, both governments could rapidly enforce an institutional framework for national and sector-wide collective bargaining originally crafted in the 1940s, which had been often frozen, but never repealed, by either authoritarian or democratic neoliberalism. Second, both countries had developed (largely) unified national labor movements affiliated with a popular-sector-based party that headed the Left-Turn.*

In both countries, the existence of "frozen" but legal and potentially mandatory frameworks for peak-level sectoral and national bargaining eased the rapid implementation of centralized wage negotiations by decree. Moreover, labor-based parties built a historical partnership with a union movement that has largely achieved representation monopoly in most economic sectors. Basic tenets of neo-corporatist theory posit that union monopoly solves collective action problems and facilitates centralized bargaining. In brief, pre-Left-Turn institutional legacies in Argentina and Uruguay, not present in the rest of the region, made possible the emergence of peak-level tripartite income policy.

> **Hypothesis 2:** *In Uruguay, the combination of a nonaccommodating monetary policy regime of inflation targets, and greater bargaining centralization, enabled a more coordinated tripartite incomes policy than in Argentina.*

Wage coordination can be measured in various ways. In the case of state-oriented neo-corporatism, the capacity of labor-based parties to govern wage setting according to their macroeconomic goals is a crucial one. I show below that, unlike in Argentina, in Uruguay wage increases have remained largely within government parameters and guidelines. First, a nonaccommodating monetary policy in Uruguay (i.e., one subjected to inflation targeting by the monetary authority) shaped expectations of economic actors and credibly restrained wage pressures (in line of the predictions of neo-corporatist literature of the late 1990s, see below), especially after the initial years of high economic growth. Second, higher levels of bargaining centralization reinforced coordination in Uruguay: The government presented formal wage guidelines in a national peak-level tripartite ambit to a highly concentrated labor organization. In Argentina, informal wage parameters, absence of a national-level wage concertation council, and divisions within the labor movement at the confederate level undermined coordination. These lower levels of wage coordination contributed to macroeconomic instability in Argentina, especially in 2012 to 2015.

The study employs the comparative method to test its main hypotheses. The neo-corporatist literature has of course both rich qualitative and quantitative traditions. Yet, in modern Latin America, cross-national quantitative analysis of neo-corporatist wage management is severely restricted, in the first place, because of the small number of cases with extended national/economy-wide bargaining (only two countries, Argentina and Uruguay). In addition, we still do not have in Latin America comparable cross-regional data on union density, bargaining centralization, confederate involvement, and wage dispersion of the type that supported the traditional large-*n* analysis of neo-corporatism in Western Europe. Comparable data on wages systematized by sector/economic activity are very difficult to find (or are nonexistent) in Latin America, in general, and in Argentina and Uruguay, in particular.

Thus, I constructed a Labor Contracts Database with the wage levels of 23 union contracts that are among the largest in each country from 2005 to 2015. In Argentina, the Ministry of Labor compiles the nominal wage levels of 21 private union economic activity-wide contracts plus that of teachers and central administration employees in the public sector. In Uruguay, I gathered data on these same contracts, which also tend to be among the largest. Overall, the sectoral contracts selected represent around 70% of total registered workers in Argentina and 80% in Uruguay.[3]

Hypothesis 1 is assessed in terms of the most different cases strategy (Gerring, 2001, p. 212; Skocpol & Sommers, 1980). The argument explores the common institutions that, despite marked historical differences in the political development of Argentina and Uruguay, favored neo-corporatist wage management after 2005. The article follows standard methodological advice in that the most different system strategy (in spite of its obvious shortcoming of no variance in the dependent variable) can help assess potentially necessary conditions for this peripheral type of neo-corporatism, especially in polar or "extreme" cases, such as Argentina and Uruguay (D. Collier & Mahoney, 1996, p. 7; Gerring, 2001, p. 214). The article, however, complements the most different approach with an overview of two cases of variation in the dependent variable in the Southern Cone, that is, similar countries in which labor institutional legacies could not produce neo-corporatism under the Left Turn: Brazil and Chile. Hypothesis 2 is framed under the most similar cases comparative method: In a common general context of neo-corporatist wage management, this study investigates the conditions that shaped a more or less coordinated incomes policy. The first part of the article reviews the past and present of neo-corporatist theory and its current practice in South America. The second part offers an explanation of the unexpected surge of peak-level, centralized wage coordination in Argentina and Uruguay. The third and fourth parts analyze more deeply neo-corporatist performance, focusing on the capacity of governments to coordinate wage setting. Finally, the article puts South American Segmented-Neo-Corporatism in comparative perspective and draws some theoretical implications on the likelihood of nonmarket wage arrangements in developing political economies.

(Neo-)Corporatism and Latin America's Southern Cone: Theory and Practice

The Evolution of a Concept: Latin America and Europe

I consider the concept of neo-corporatism in its two general meanings coined in the Golden Age of the 1970s and 1980s, one more structural/organizational and one more related to policy formulation. First, it is a mode of interest politics denoted by monopoly of representation of economic actors (especially labor) recognized by the state. Second, it involves peak-level concertation, especially of income policy, between state, employers, and unions. These two dimensions of neo-corporatism in the interest and policy realms are emphasized by precursors who also referred, with minimum differences, to the concept as “societal corporatism” (Schmitter, 1981), “liberal” (Lehmbruch, 1977), and “democratic” (Katzenstein, 1985). Corporatism, in its statist version, was, of course, a central institutional device that historically articulated the political inclusion of new urban and rural sectors in Latin America since the 1930s.[4] State-corporatist strategies, such as state legal recognition, empowering, and monitoring, permitted the subordinated incorporation of vast sectors of the labor movement to new, “modernizing” political projects. The balance of state inducements and constraints that shaped the emerging labor movements, and therefore the power and degree of autonomy of unions, varied from case to case (R. Collier & Collier, 1979)—a central point for the argument on the role played by institutional legacies developed below. Nonetheless, sustained wage bargains between relatively autonomous social partners were rare in Latin America, largely because authoritarianism and union subordination precluded any meaningful negotiation.

In Europe, peak-level wage bargaining proved to be an efficient tool to moderate wage demands, protect employment, and control inflation in the 1970s and 1980s (Calmfors & Driffill, 1988; Cameron, 1984; Schmitter, 1981). Subsequently, enhanced capital mobility and upgraded economic and exchange rate integration decisively challenged the corporatist compact. Domestic incapacity to control interest rates and the threat of capital flight undermined the enforcement of wage policy pacts and the targets of inflation (Scharpf, 1991). In addition, monetarism and the theory of rational expectations in macroeconomics rejected the real long-term effects of monetary and fiscal policies, and thus defied the Keynesian foundations of neo-corporatist theory. However, in the mid- to late 1990s, a group of scholars sought to integrate post-Keynesian economics and corporatism. They underscored that even in the era of capital mobility, nonaccommodating monetary policies, and independent central banks, labor market institutions still mattered. Macroeconomic policy could have real effects: Bargaining centralization by encompassing labor movements, appropriately combined with central bank independence, still produced better outcomes in terms of inflation and unemployment (Franzese & Hall, 2000; Hall, 1994; Iversen, 1999; Iversen & Pontusson, 2000; Soskice & Iversen, 2000).

Yet, just as this “second wave” of neo-corporatism studies underscored the importance of strategic games between governments, centralized labor movements, and national monetary authorities, the consolidation of the European Central Bank and the Euro in 2000 reformulated again the conditions for the political exchange. Social consultation did not end in the 1990s, however. European countries found that under democratic governance, social partnership was indispensable to carry out the regulatory reforms in the different markets (especially labor and pensions) needed for monetary integration. Thus, a burgeoning literature analyzed the social pacts that underpinned the run-up to the Euro (Avdagic, Rhodes, & Visser, 2011; Baccaro & Simoni, 2008). Still, these negotiations related mostly to the concertation dimension of neo-corporatism (rather than to the organizational one) and involved regulatory reforms rather than wage coordination. Deregulation of industrial relations deepened after 2000, and the institutions for centralized bargaining that remained in place were reshaped to enhance employer discretion (Baccaro & Howell, 2011). Indeed, the "social pacts" literature of the 1990s and 2000s in Europe dealt with labor movements and social democratic forces on the defensive and besieged by globalization.

The type of wage coordination and political exchange that emerged in Argentina and Uruguay in the last decade, by contrast, is more similar to the Keynesian neo-corporatist management of postwar Europe up to the 1980s than to the social pacts that spread amid monetary integration and wage decentralization in Europe. As I shall analyze below, the dilemmas that progressive governments confronted in Argentina and Uruguay, namely, coping with the demands of allied unions while managing inflation and promoting economic growth, are typical of neo-corporatism. Unlike in contemporary Europe, they arose in a time of left-leaning governments and popular-sector offensive.

Segmented Neo-Corporatism and the Left-Turn in Latin America: Argentina and Uruguay

In both Argentina and Uruguay, union-backed and left-leaning governments put in motion the mechanisms for centralized wage coordination soon after they took office. In Argentina, after the Radical Civic Union (UCR)-led government fell amid the chaos sparked by the economic crises of 2001 to 2002, Néstor Kirchner, leader of a progressive faction of the traditionally populist and pro-union Peronist Party, won the 2003 elections. Kirchner embodied an antineoliberal discourse that reverberated strongly with unions and social movements. The return of sector and economic activity–wide collective bargaining and a national-oriented incomes policy became his main tool to court the labor movement and the traditional Peronist confederation, the General Confederation of Workers (CGT). Kirchner named a well-known Peronist lawyer linked to the union movement as Labor Minister. To prop-up incomes depressed by the violent 2002 devaluation, during the years 2003 and 2004 the government decreed unilaterally a series of wage increases. By 2004, however, the government mandated that every state-decreed wage hike had to be included into economic activity–wide labor contracts negotiated by unions and employers, thereby launching the wheel of centralized collective bargaining (Etchemendy & Collier, 2007). In 2004, the government also set up by decree the tripartite National Minimum Wage Council, which after deliberations established the minimum wage for the private sector and national public administration for the first time in 11 years.

In Uruguay, the victory of the FA in 2005 culminated decades of patient political construction by the left (Buquet & Chasquetti, 2005; Luna, 2007). A broad front formed by communist, socialist, national-popular and even groups that broke with the traditional Colorado and Blanco Parties, FA since its origins in the 1970s had boasted the support of the labor movement. Just days after taking office, Tabaré Vázquez, the socialist president, issued a decree calling for the reinstallation of the sectoral Salary Councils, which had been suspended throughout the 1990s and during the recent economic crisis. The reconstruction of the Salary Councils, formed by peak-level sectoral representatives of the state, employers, and workers, was a prominent demand of the FA-allied national labor confederation, Inter-Union Assembly of Workers–National Convention if Workers (PIT-CNT).

Thus, at the same time (2005), wages in both Argentina and Uruguay started to be set in peak sectoral/national centralized negotiations. These wage negotiations are sectoral in the sense that they are valid for all workers in a general economic activity. However, they are also national in the sense that (a) they cover the whole sector countrywide, and not simply some regions or provinces, and (b) are framed, as we shall analyze below, by more or less formal income policy general agreements. Both countries also launched new, nationwide tripartite or bipartite (i.e., state and public sector unions) Salary Councils for minimum wage of private urban workers and also for teachers, for public employees, and for domestic and rural workers. Table 1 provides a glance at the contemporary (2015) levels of wage setting and union strength in Argentina and Uruguay compared with selected Latin American countries that carry a minimum tradition of union activation. Argentina and Uruguay neo-corporatist political economies display by far the most centralized patterns: Private sector wages were negotiated in economy-wide bargains and all collectivities of registered workers have national wage-setting councils. In addition, in what respects to national trade union strength, both countries simply play a different game than in the rest of the continent: Union density doubles the rate found even in countries that have, or once had, active labor movements, such as Brazil or Chile. Though we have no reliable comparative

Table 1. Levels of Wage Negotiations for Alternative Segments of the Working-Class and Union Density: Selected Latin American Countries 2005-2015.

	Private sector main bargaining level	National minimum wage council (private urban sector)	National wage council (rural)	National wage council (state workers)	National wage council (teachers)	National wage council (domestic workers)	Trade union density rate (%)
Uruguay	National-economic activity/ sector	Yes	Yes	Yes	Yes	Yes	30.1[a]
Argentina	Economic activity/ sector	Yes	Yes	Yes	Yes	Yes	37.7[b]
Brazil	Municipal	No	No	Yes	No	No	16.6[c]
México	Firm	Yes	No	No	Yes	No	13.6[d]
Peru	Firm	Yes	No	No	No	No	4.2[e]
Chile	Firm	No	No	No	No	No	15[f]

Source. Author's assessment is based on country analysis. As explained below, Uruguay combines national/confederate-level bargaining with the sectoral Salary Councils. Union Density from ILO, http://www.ilo.org/ilostat/faces/oracle/webcenter/portalapp/pagehierarchy/Page3.jspx?MBI_ID=9
ILO = International Labor Organization.
a. 2013. b. 2008. c. 2013. d. 2013. e. 2012. f. 2013.

data, collective bargaining coverage in both Argentina and Uruguay, due to extension rules, reaches almost all formal workers (i.e., whether unionized or not) and is by far larger than in the rest of Latin America.

Despite the efforts by progressive governments to reach more vulnerable workers in the rural or domestic service sectors, these state-oriented wage settlements only applied to registered workers. Though in both countries informal labor substantially diminished after 2005, by 2015 24.9% of wage earners in Uruguay and 31.9 % in Argentina were still unregistered in social security (whether working in the formal or informal economy) and thus remained outside of these neo-corporatist arrangements.[5] Thus, segmented neo-corporatism is similar to traditional European neo-corporatism in that the government influenced centralized wage pacts with allied hegemonic unions. Unlike in the European neo-corporatist management, however, these negotiations apply to a substantial portion of, though not to all, wage earners. The political exchange also varies. In Europe, especially by the fall of the Breton Woods system in the early 1970s, unions exchanged wage moderation for social policy and stable employment. In Argentina and Uruguay's contemporary neo-corporatist era, unions essentially exchanged real income gains for moderation of general wage demands and industrial conflict. Explicit social policy deals were outside wage pacts. Both administrations, however, expanded social policies, especially for the informal poor. Despite the general government–union alliance, labor movements as class organizations remained largely estranged from the political leadership of the FA and PJ (see Luna, 2014, p. 234 for Uruguay, and Levitsky, 2003 for Argentina) —though in the case of Uruguay, union leaders were more represented in social policy councils and the party. Besides, in Argentina, the political exchange with unions included organizational payoffs—such appointments in the state office that controls the union-run health system or subsidies to the allied transport unions—absent in the Uruguayan case.

In sum, in both Argentina and Uruguay, segmented neo-corporatism privileged about the two thirds of total salaried workers, that is, those registered in social security. This wage pattern may (or may not) reinforce insider–outsider dynamics in the labor market already analyzed by welfare state scholars in Latin America (see Garay, 2016; Huber & Stephens, 2012; Niedzwiecki, 2016; Priebble, 2013). Indeed, dualization between workers covered by centralized wage patterns and those subjected to more flexible contracts is increasingly relevant for what remains of the neo-corporatist compact in Europe (Rueda, 2007; Thelen, 2014). This article focuses, however, on the explanation on the origins and performance of centralized wage coordination for union-represented, registered workers.

In Argentina, once collective bargaining started to gain momentum after 2005, the government tried to set the parameters of wage increases through negotiations with its closest allied unions. In Nestor Kirchner's government (2003-2007) and the first of Cristina Kirchner (2007-2011), the main ally in the labor movement was the teamster union led by the secretary-general of the CGT, Hugo Moyano. In the collective bargaining rounds during 2005 to 2011, wage agreements reached with a handful of employers and unions led by the teamsters, frequently staged in formal signature ceremonies in the *Casa Rosada* (government house), became a guideline for the rest of the economy. When the teamsters and other transport unions broke with Cristina Kirchner in late 2011, the government passed to negotiate the general wage parameter with a handful of big unions that dominated the pro-government CGT (construction, metallurgy, state workers, and commerce). At the same time, the *Kirchnerista* governments closed deals for the minimum wage with the national confederation CGT (hegemonic among private workers) and Central Union of Argentine Workers (CTA; representing mostly public employees) in the Minimum Wage Council every year in the period 2004 to 2015. Finally, after 2007, the newly created national minimum wage council for teachers became the locus of the alliance with the main teachers' national confederation, Confederation of Education Workers of the Argentine Republic (CTERA), affiliated to CTA.

In Uruguay, beginning in March 2005, the FA government issued a series of decrees that mandated the reconstitution of the Salary Councils. It created the national Tripartite Superior Council (CST) in which representatives of employers, the national labor confederation PIT-CNT, and the main employers' associations decided over the Wage Councils (formed by state representatives, labor sectoral federations, and business chambers) that would start to function. By mid-2005, 20 tripartite groups covering the entire private sector were debating new wage levels. The government would formally present "guidelines" for wage increases in each bargaining round (approximately every 2 years) to the CST. This peak-level council also discusses and recommends a minimum wage to be decreed by the Executive Power. Finally, the FA also organized a series of separate bipartite (i.e., state/unions) Salary Councils for public employees in the central administration, education, and state banking.[6]

The result in both countries was typical of neo-corporatist tension whereby labor-friendly governments want to channel benefits to unions in peak-level negotiations. At the same time, they need to preserve business profitability and investment, and manage inflation. Figure 1 compares the evolution of real wages in the collective contracts of 22 economic sectors (21 private plus state central administration), which are among the largest in both countries.[7] This wage measure is very reliable to assess labor bargaining power in the sense that it is not originated in any survey or general administrative data but reflects the numbers (adjusted for inflation) written in collective contracts. Overall, tripartite income policy in both countries set the stage for a phenomenal increase in the real wages of union-covered workers, around 55% to 65% in 10 years in both cases.

Of course, this study does not aim to suggest that neo-corporatism is the single cause of this considerable growth of real wages especially in a time of a commodity boom, initial strong currency devaluations, and high economic growth until 2010—A systematic explanation of the determinants of wage growth in these countries is beyond the scope of this study. Suffice it to say that for progressive governments, unions, and union-represented workers, the new arrangement of wage policy paid off for a long time. In Argentina, real wages grew substantially until 2012 and are basically stalled afterwards; in Uruguay, real wages grew steadily in the whole period.

This U-turn in incomes policy did not mean, of course, absence of labor conflicts or disputes between the labor movement and the state. In that sense, it is important to stress the unequivocally democratic character of segmented neo-corporatism, a crucial feature to distinguish this form of interest

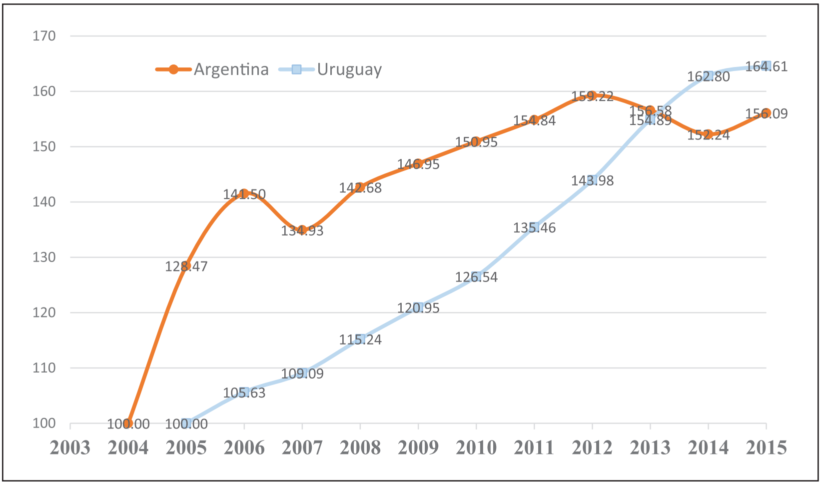

Figure 1. Argentina and Uruguay: Real wage increase under centralized wage bargaining—Top 22 union contracts.
Source. Labor Contracts Database, see the appendix. Figures 3 and 4 exclude teachers because in Argentina, except for the minimum wage, which started to be discussed in 2008, wages are set in provincial negotiations.

representation and policy formulation from both state-corporatism and plain authoritarianism. First, in both countries, portions or (in the case of Uruguay) the entire labor movement waged sporadic but important strikes against an allied government. These national strikes were not repressed or outlawed by the state, nor were the more common sectoral strikes. Second, the state never ruled out or declared illegal a wage settlement. In Uruguay, under the 1943 law, the state was able to reject a wage agreement by refusing to transform it into a legal decree—The 2009 FA labor reform in Uruguay ruled out such provision and mandated that if contracts are voted by social partners they are automatically valid. In Argentina, the state must legally uphold agreements to make them enforceable to all the sector or economic activity (*homologación*). Of course, governments could use such legal threats. Nonetheless, the state never revoked a contract, neither in the period of wage and economic growth up to 2011, nor during the downturn from 2012 to 2015. The democratic nature of the polity, the alliance with the labor movement, and the potential reactions of strong unions not controlled by the state made governments extremely reluctant to use such provisions in both cases. Finally, no individual union, federation, or confederation was intervened, harassed, or outlawed by the government during the entire period in either country.

In sum, the facts that the labor movement organized important national strikes *against* allied governments, that the state never used legal powers to rule out any national or sectoral wage agreement, and that no union was ever intervened or outlawed in the entire period under study, all signal the democratic nature of segmented neo-corporatism in both countries. Of course, prohibition of strikes, the unilateral revocation of wage settlements, and the intervention of unions are part of the common landscape under state corporatism (e.g., Mexico), competitive authoritarianism, and dictatorships alike, past and present. In Argentina and Uruguay's poliarchies, however, tensions never exploded and, in both cases, the broad majority of the labor movement backed its allied government in successive presidential elections and in major policy disputes.

Explaining the Emergence South American Neo-Corporatism

Labor Institutional Legacies in Argentina and Uruguay

What explains the rise of neo-corporatist wage coordination in Argentina and Uruguay in the 2000s? Why were Argentina and Uruguay the only countries that developed a national-oriented tripartite incomes policy within the Left-Turn wave that swept Latin America? In a seminal work on contemporary labor, Caraway, Cook, and Crowley (2015, p. 4) emphasize the importance of predemocratic institutional legacies for the contemporary politics of the union movement in developing economies. Hypothesis 1 points to two concrete institutional features from the 20th century as main explanatory factors: the existence of "frozen," but valid and enforceable, legal frameworks for sectoral/national collective bargaining when progressive governments took power and the quasimonopolistic and unified character of the labor movement at the sectoral/economic activity level. These institutional legacies were combined with a third key element in neo-corporatist theory: the role played by a traditional labor (or popular sector)-based party[8] in overcoming rational dilemmas for union cooperation and in organizing the space for wage concertation through regulatory reforms.

At first glance, the development of electoral/territorial and interest representation in Argentina and Uruguay during the 20th century could not be more divergent (see R. Collier & Collier, 1991). In Uruguay, the incorporation of popular sectors to the polity was channeled by traditional elite parties born in the 19th century (especially the *Colorados* in the Batllista period 1903-1933). Only in the early 1970s did the left grouped in the FA and build a class-based party. Unions and working-class militants have been permeated mostly by socialist, communist, and anarchist ideologies. Argentina, by contrast, is perhaps the archetypical case of labor incorporation through a populist party led by Perón in the early 1940s. Thereafter, Peronist unions marginalized left-wing elements in the labor movement. They became real political brokers as a unified labor movement during the postwar decades under authoritarian and democratic regimes alike. In Uruguay, the labor movement was a marginal national political actor until the 1970s and carried a strong tradition of autonomy from the state.[9] After the bloody dictatorships of the 1970s, unions in Argentina continued affiliated to the Peronist or Justicialista (PJ) party. In Uruguay, the labor movement strengthened its alliance with the FA during the democratic transition and both remained in opposition until 2005.

Despite these divergent trajectories,[10] in both Argentina and Uruguay, at around the same time (mid 1940s), the incorporation of labor into politics crystallized legal frameworks that promoted centralized, sectoral/national collective wage bargaining. In Uruguay, the second *batllismo* passed in 1943 the Salary Councils Law, which organized collective bargaining in sectoral groups at the national level monitored by the state. Likewise, in Argentina, Peronism structured mandatory collective bargaining at the sectoral level. Though different in several respects, in both cases these regulations built incentives to organize interest representation at the national/industry level. Sectoral collective bargaining sanctioned by the state favored the unification of actors' representation in the wage negotiations.[11] Both frameworks for collective bargaining promoted labor inclusion in the semiclosed economies of the ISI until the neoliberal reforms of the 1990s, especially under the democratic governments that enforced it. In Uruguay, Salary Councils functioned between 1944 and 1968, when they were replaced by unilateral state incomes policy and were later briefly reestablished in the late 1980s (Mazzuchi, 2009, p. 17). In Argentina, sectoral collective bargaining took place mostly in the democratic interludes before 1976 and resumed only 1988 in the last part of the Alfonsín government. In none of these cases, however, we find a sustained and centralized tripartite income policy oriented by a pro-labor party without proscriptions to any organized economic actor.

Significantly, these legal frameworks were *not* dismantled and replaced either under authoritarianism in the 1970s and 1980s, or under the neoliberal governments of the 1990s. Democratic neoliberalism in both countries during the 1990s promoted de facto labor flexibilization and bargaining decentralization as a consequence of monetary policy adjustment and commercial liberalization. But it did not repeal established labor legislation.[12] Thus, when pro-labor governments took office in 2003 to 2005 they could use these "latent" legal frameworks to buy off their main economic constituency, that is, labor, and appear as a reliable ally. As noted above, in both Argentina and Uruguay, left-leaning governments put in motion sectoral/national bargaining very quickly and by decree. They did not need new legislation or ask Congress for cooperation.

If the old labor legislation supplied the legal frame, the structure of the labor movement provided the second essential pillar for neo-corporatism. In Uruguay, despite the early implantation of sectoral wage bargaining, and largely due to its autonomist tradition, national intersectoral unionism had been loosely organized. Yet in 1965 to 1966, in the context of continental class radicalization, a fundamental step was taken with the union movement unification in the CNT (National Convention of Workers), which soon would become FA's labor support base (Lanzaro, 1985). In the 1980s, the base-level unionists who confronted the dictatorship under the label of PIT (Inter-Union Assembly of Workers) consolidated the path to unity when they formed PIT-CNT. This "new" confederation encompassed the old labor organization and the newer activists. In Argentina, since the 1940s, labor legislation sanctions a single union by sector. Though a second union, CTA, was born out of the CGT in the 1990s, the main division is at a confederate level. At the sectoral level, (except for portions of the state civil service where pluralism is the norm) the CGT unions are hegemonic in the private sector and CTA in the teachers' union.

In brief, Uruguay followed a kind of decentralized sectoral bargaining path until the late 1960s, when single, nationwide union representation was slowly forged "from below." Argentina was a classic state-corporatist case in which union monopoly has been legally induced "from above" since the 1940s. However, in Argentina, democratic consolidation after 1983 slowly induced union autonomy from state control. In Uruguay, the labor movement unification combined with centralization of labor relations after 2005. Figure 2 depicts these alternative trajectories and points out the general periods in which some type of social bargaining existed. From different starting points in the 1940s (though with a common base of state-sanctioned sectoral bargaining), both countries converged to segmented neo-corporatism in the mid-2000s.

Labor Institutional Legacies in the Southern Cone: A Comparative View

Classical neo-corporatist theory holds that left wing or popular governments are more likely to launch centralized forms of wage coordination (Cameron, 1984; Schmitter, 1981). Left-of-center or national-popular governments spread throughout South America in the 2000s. Brazil (2003-2015) and Chile (2000-2010) were likely candidates for neo-corporatist interest

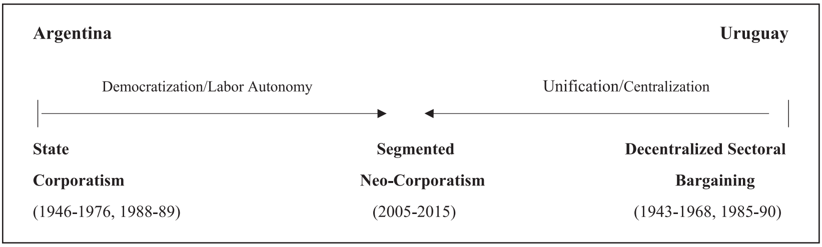

Figure 2. Alternative trajectories to segmented neo-corporatism.

intermediation in the region: both had center-left coalitions in government in the 2000s headed by a socialist or left-wing party, both cases (unlike other left-turn countries such as Ecuador or Bolivia) still have a sizable formal economy that would turn wage coordination relevant for their lower class base, and finally, in both cases, the governing party had developed historical ties with the largest labor confederation (unlike, for example, *chavismo* in Venezuela).

However, an examination of the labor legacies of liberalized economies (see Table 2) is key to explain why neo-corporatism was conspicuously absent in these left-wing governments. Argentina and Brazil developed forms of state-corporatism in the 1930s and 1940s that structured labor movements from above in the context of import substitution industrialization (ISI) projects. Yet the classic work of R. Collier and Collier (1979) underscores that state corporatism, which granted unions representation monopolies and some type of financing in Argentina and Brazil, can deploy at the same time varying levels of inducements and constraints for the labor movement. Table 2 shows two crucial institutional legacies from the ISI labor regimes (there are obviously more): the bargaining level and the shop floor organization of workers and representation at the workplace in general—the former crucial for the potential to negotiate wages, the latter central to enforce those wage agreements. In Brazil's strong state-corporatism, especially when compared with Argentina's weak state-corporatism, the constraints outpaced inducements (see Cardoso & Gindin, 2009, pp. 22-28; R. Collier & Collier, 1979, p. 972): The law stipulates compulsory bargaining at the municipal level and seriously hinders organization at the shop floor. Indeed, in their general comparison of state-corporatist institutions in Argentina, Brazil, and Mexico, Cardoso and Gindin (2009, p. 31) note that Argentine unions "are the most autonomous." In Chile, after authoritarian deregulation under the Pinochet dictatorship, the constraints are even more severe: Employers can refuse to negotiate beyond the plant level and shop floor union organization and

Table 2. Labor ISI Transition Legacies and Interest Representation Under the New Left in the Southern Cone (2000-2015).

	Brazil	Chile	Argentina	Uruguay
ISI transition legacy				
Industrial relations system	Strong state corporatism	Authoritarian deregulation	Weak state corporatism	Decentralized social bargaining
Main bargaining level	Municipality	Firm	Sectoral	Sectoral
Shop floor union organization	No	No	Yes	Neutral
Institutional unity of the labor movement	Medium	High	High	Extremely high
Interest representation under new left (2000-2015)	Pluralization of state corporatism	Decentralized Pluralism	Segmented Neo-corporatism	Segmented Neo-corporatism

ISI = import substitution industrialization.

delegates protections are nonexistent. These features were not modified under the democratic governments that preceded the left in either country (Cook, 2007).

Moreover, in Brazil, the surge of the Unified Workers Central (CUT) as an alternative labor confederation, which by the late 2000s became the largest, divided the labor movement (in particular in the private sector) between the PT affiliated confederation and FS (*Forca Sindical*) linked to the traditional official unions (Table 2). In Chile, the labor movement remains unified around the single confederation CUT but the mentioned legal constraints preclude any form of meaningful aggregate interest representation. In other words, beyond the more or less radical nature of the left, in both Brazil and Chile progressive governments would have needed a complete overhaul of the labor legislation to promote some type of centralized incomes policies. Municipal (Brazil) and firm-level bargaining (Chile), the weakness of workplace union organization, and the pluralization of labor representation in Brazil hampered the potential for centralized, national wage coordination. In Argentina's state-corporatism, by contrast, inducements developed with time stronger than constraints, including the key issues of shop floor organization (which contemplates both the legal election of plant delegates and workplace commissions) and the union management of health insurance developed originally by Peronism. In Uruguay's nonregulated collective ISI labor system, unions built sectoral representation monopolies and plant-level organization from below. While the state did not structure shop floor organization, it did not formally outlaw it like in Brazil and Chile.

Of course, left wing or popular governments in democratic systems were vital to relaunch a national incomes policy in both cases. Executive decrees were important to launch the first round of negotiations—in Argentina, when the government mandated in 2004 that general wage hikes sanctioned by the state had to be incorporated into industry-wide collective contracts; in Uruguay, when FA convened the Salary Councils in 2005. In addition, governments upgraded regulations to back labor and prevent business exit or "free riding" in national bargaining. The labor laws reforms of 2004 (Argentina) and 2009 (Uruguay), voted by government's majorities in Congress, confirmed the mandatory character of centralized wage bargaining for social actors, the ban of firm-level contracts outside sectoral agreements, and the enforcement of industry-wide labor contracts on nonunion members. Thus, left-wing governments' activism was important to put in motion centralized bargaining and passed legislation essential for its eventual consolidation in the future. Yet institutional legacies (a centralized framework for collective bargaining combined with a largely unified labor movement) provided the broader legal setting within which those decrees could be initially implemented. Governments could pay off allied labor movements only months after taking office.

Neo-Corporatism in Argentina and Uruguay: Assessing Wage Coordination

Measuring Coordination: Wage Performance and Government Targets

Wage coordination under neo-corporatism can be measured in two general aspects. One is intersectoral divergence. When sheltered sectors (especially public employees) drive wages up, nonsheltered and export firms are hampered by increasing costs and union pressures to match wage levels in protected sectors (Garrett & Way, 2000; Swenson, 1991). I show elsewhere (Etchemendy, 2017) that intersectoral divergence in wage growth between the tradable and nontradables/public sector was not a problem in either country, though the pressure of unions in some nontradable activities is significant in Uruguay and has the potential to hamper the consolidation of centralized bargaining in the future.

A second measure is government parameters. In both Argentina and Uruguay, the government strove to orient wage settlements according to its goals of redistribution and economic management. *Kirchnerismo* used the wage pacts with the most closely allied fraction of the labor movement described above to (try to) anchor inflation expectations. Often, allied unions (until 2012 the teamsters in particular) had to defend the parameter negotiated with the government from critics by more combative unions, therefore contributing to wage restraint. For example, beginning 2008, with inflation expectations on the rise, unions were demanding 30% of wage adjustment and business claimed that they only could afford 15%. The government hastened to close a deal in February of a 19.5% raise (divided in three quotas during the year) with the powerful teamster union led by CGT-Secretary General Hugo Moyano and employers, hoping that it would serve as a parameter for the rest of the economy.[13] In Uruguay, the government tried to use its guideline patterns in collective bargaining to administer real wage gains. For example, in the first round of 2005, the government proposed 2% to 4% of real wage increase for the first year of contracts and 3.5% to 5% for the next period starting in 2006. To this end, it also recommended social actors wage adjustments each 6 months considering the evolution of inflation. For the 2008 round, the government projected a 2% real initial or "base" raise, and subsequent periodic adjustments to inflation, but opened the possibility of an additional 1.5% of real wage increase in the sectors that could afford it.

To what extent were these government targets met in the real world? Figure 3 depicts the gap between the government parameters and wage settlements each year for the largest 22 union contracts (21 unions in the private sector plus state central administration). Given that Argentina did not implement an income policy of general and formal wage parameters, I used the distance between the nominal parameter negotiated by the government with the group of most closely allied unions since 2006 and the average nominal wage raise each year. For Uruguay, the graph measures the gap between the *maximum* real wage increase recommended by the government guideline in each round/year for any sector, and the actual average real wage increase of the same largest 22 unions for the same year.

Figure 3 shows that the Uruguayan left-wing government was more successful than its Argentine counterpart to govern and coordinate centralized wage bargaining. In Argentina, negotiated parameters worked, in practice, as a "floor" nominal wage increase. Average wage raises were never below the parameter. In good economic years, such as 2007, 2008, and 2010, unions (in a context of low unemployment, government support, and economic growth) pushed nominal wages well above the government target—sometimes by 9 and even 13 absolute percentage points. It seems that in not so good times, like 2009 (impact of the world financial crisis) and 2014 (currency crisis), government pressure, combined with the tighter situation of firms, was more successful to contain nominal wage raises. In real terms, wages in Argentina grew until 2012 and then stabilized and declined slightly during 2013 to 2015 (Figure 1 above).

In Uruguay, by contrast, wage growth was much closer to government parameters and in some years even below the maximum adjustment proposed. Figure 3 shows that in the first 3 years the government successfully

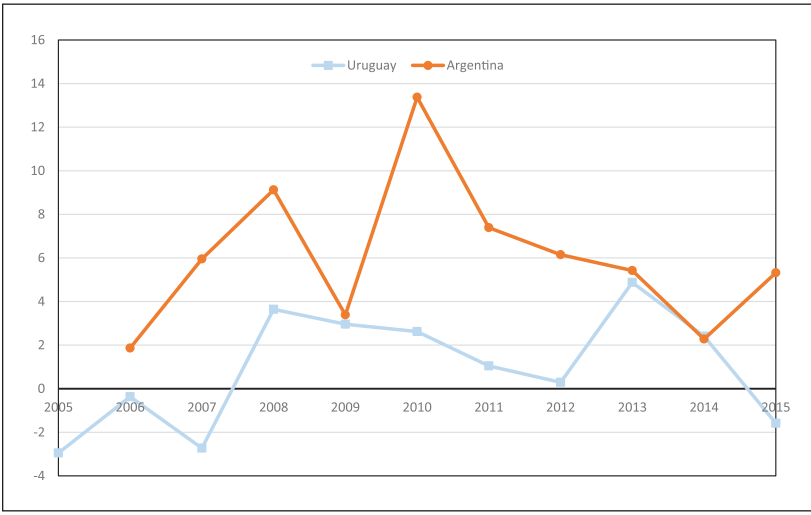

Figure 3. Gap between government parameter/guidelines and actual annual wage increase: Average 22 top union contracts, absolute percent points.

coordinated wage setting within its targets. In the rounds negotiated in 2008 (third since 2005) and, especially, 2012 to 2013 under President Mujica (fifth), more expansive pressures from the unions arose (see Carracedo & Senatore, 2016, pp. 26-27). However, by 2015, beginning the sixth round of negotiations under President Tabaré, the FA government increased coordination levels and managed to control wage growth under its parameter again similar to the 2005 to 2007 period.

Explaining Levels of Coordination: Monetary Policy and Bargaining Centralization

In a similar context of neo-corporatist wage management by union-supported, left-of-center governments, the comparative assessment underlines two key factors that shaped a more or less effective wage coordination: economic (especially monetary) policy and bargaining centralization.

Economic and Monetary Policy

As pointed out above, the neo-corporatist literature of the late 1990s sought to integrate theories of labor market organization with post-Keynesian economics in a world of capital mobility. A fundamental insight was that monetary policy and central bank independence are not a constant but a key variable that mediates the outcomes of coordinated wage bargaining. Thus, a signaling game unfolds: The greater the centralization of wage bargaining, the more the labor movement has incentives to moderate individual unions in the face of central bank independence and a nonaccommodating monetary policy that could produce unemployment. On the contrary, an independent Central Bank will be more inclined to monetary deterrence when challenged by uncoordinated militant unions than when confronted with centralized bargaining and its moderate wage pattern (Franzese & Hall, 2000, pp. 178-179; see also Hall, 1994; Iversen, 1999).

It is appropriate to read the trajectory of neo-corporatism in Argentina and Uruguay, especially after the peak of economic growth in 2010 and the subsequent downturn, in the light of this theory of interaction between monetary policy and wage bargaining patterns. Argentina ran an expansionary monetary policy since 2003, with low levels of Central Bank independence from the economic policy authority. After the 2002 devaluation, a low exchange rate gave leeway for such expansion. Initially, the Central Bank purchased dollars available in the market from mounting exports and recaptured those *pesos* through medium-term bonds with the goal of averting excess liquidity and inflation. Despite these sterilization efforts, money supply grew steadily (Centrángolo, Heymann, & Ramos, 2007). Indeed, the government responded to the 2009 international crisis with a new expansionary monetary and fiscal push. Facing mounting pressures on the exchange rate, the government established exchange controls in late 2011. In 2012, the reform of the Central Bank charter included employment and growth goals and, most important, raised the ceiling of transfers to the national treasury. It also mandated major financial institutions to set aside a fraction of their private sector deposits in *pesos* for production loans. Both measures contributed significantly to monetary expansion thereafter (Economic Survey of Latin America [ECLA], 2013a, p. 3). While real GDP grew steadily between 2004 and 2010 (average 5.7), economic growth was erratic and slowed considerably afterwards (1.5 average between 2011 and 2015).

Unlike Argentina, Uruguay implemented a monetary policy of inflation targeting. By 2005, an initial low exchange rate also gave room to some monetary expansion and set the stage for real wage gains in the initial rounds of centralized bargaining. However, the Uruguay Central Bank (BCU) started to set explicit inflation ranges from 2005 onwards and used the interbank rate as its main instrument. Thus, the government maneuvered monetary policy to both control inflation and cope with exchange rate appreciation pressures in the context of strong capital inflows. In 2008, it also reformed the Central Bank charter. The reform created a Committee of Macroeconomic Policy formed by three representatives of the Ministry of Finance and three from the Central Bank, and mandated that the president of Uruguay would have the final word in case of disagreements. This committee sets the inflation target. Interestingly, the reform clearly subjected the monetary authority to the macroeconomic goals of the government, and the Central Bank president continued to be in practice appointed by the Ministry of Economics. Thus, the reform was far from neoclassical conceptions. Indeed, in one of the most cited world data sets (Garriga, 2016), Uruguay Central Bank's independence *diminished* under the FA. However, at the same time, the new charter gave ample leeway to the Central Bank to pursue the inflation goals with its chosen instruments, it confirmed money stability as its main task, and put strict limits to treasury finance. In other words, it consolidated the institutional prerequisites for a credible monetary policy oriented toward inflation targeting. By 2013, the BCU switched to using monetary base targets instead of the interest rate to tame increasing inflationary pressure (see ECLA, 2013b). In the context of a regional trend, GDP growth peaked in 2010 (7.8%), averaged 6.22% during 2005 to 2010, and subsequently fell to an average of 3.39% during 2010 to 2015.

Overall, it is clear that in the context of a centralized income policy that empowered unions, that is, one that, depending on tripartite coordination levels, may be prone to wage-push inflation, monetary policy was geared to thwart inflation pressures in Uruguay but not in Argentina. In the former, both the policy instruments and the institutional configuration of the Central Bank were oriented to build a credible monetary authority that could restrain demand-side pressures. Figure 4 shows the evolution of real interest rates (i.e., deflated nominal rates) in Argentina and Uruguay during 2005 to 2015. Argentina ran negative interest rates for the whole period, especially beginning 2010. In Uruguay, by contrast, both after 2007 (see Lorenzo, 2010, p. 159) and 2011, the BCU lifted the monetary policy rate to avert inflationary pressures. Indeed, 2011 signaled the peak year in terms of nominal average wage increases in the whole FA period (see Figure 6 below) and it is clear that the monetary authority chose a contractionary path afterwards. Monetary policy was not the only tool oriented to tame inflation. In fact, the government also resorted to utility tariff controls and subsidies, and price and wage agreements in particular sectors, specially under the Mujica government. The point is, however, that its ability and will to control inflation were minimally credible.

The question becomes, "Why does a nonaccommodating monetary policy improve the prospects for government wage coordination?" I argue that this is the case for two reasons. First, relatively credible inflation targeting enables the government to announce to economic actors a viable wage guideline for the centralized negotiations. Indeed, one of the problems for the Argentine government to coordinate a nominal wage in the absence of credible inflation

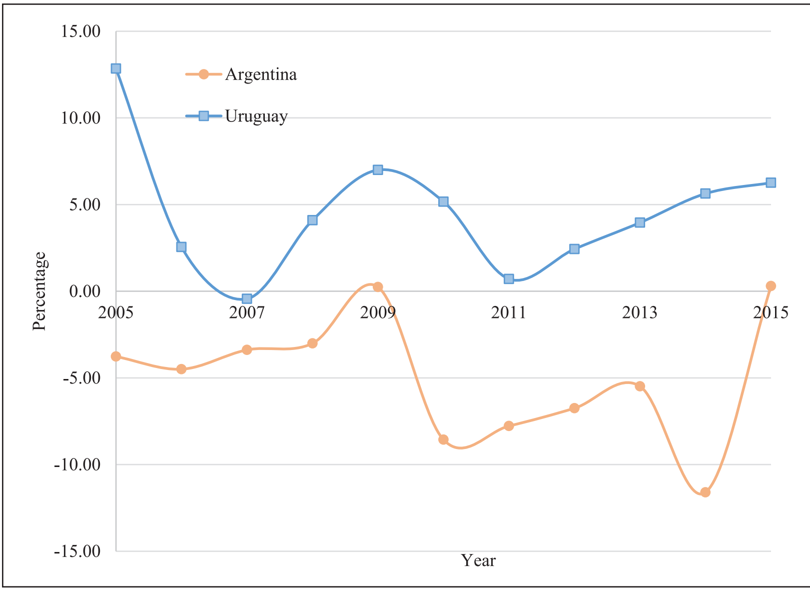

Figure 4. Real interest rates in Argentina and Uruguay, 2005-2015.
Source. International Monetary Fund (IMF), International Financial Statistics, with World Bank Data on GDP Deflactor.

projections was simply that every actor was tempted to free ride and cover itself for "unknown" inflation. Second, as Franzese and Hall (2000) and Iversen (1999) have argued, a nonaccommodating monetary policy and inflation target, if minimally credible, will send restrictive signals to economic actors, especially unions. Indeed, a formally "independent" central bank can serve a left-wing government as an important deterrent in wage negotiations, a fact confirmed by my field interviews in Uruguay. As a former top FA economic policy official stated,

> We would go to the unions and tell them "if this is not fixed between us, the Central Bank will fix it. And they will do a big mess." We would also tell them "if we do not come up with a rational deal, there will be an actor [i.e., the Central Bank] that will intervene, and with a very different rationality"[14]

In Argentina, such a "threat" from the Ministry of Economics' authorities, acting as the "good cop" vis-à-vis the Central Bank (the bad cop), would be unthinkable: Every actor knew that the Central Bank was pursuing the general monetary expansion set by the government. Figures 5 and 6 plot government/ Central Bank expected inflation, the actual inflation, and the nominal wage

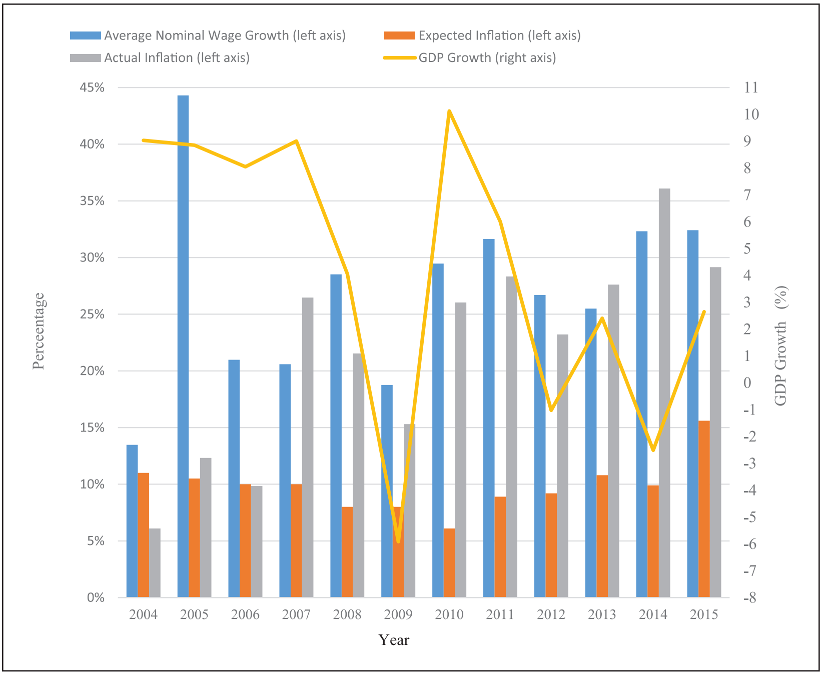

Figure 5. Argentina (2004-2015): Average nominal wage increase, top expected inflation (budget), actual inflation, and GDP growth.
Source. Average of top 21 contracts (Labor Contracts Database). Inflation projections in Budget sent to Congress. Inflation: Four provinces average, see the appendix. GDP, World Bank.

increase each year against GDP growth (right axis) in both countries. In Argentina, even as economic growth turned more erratic after the peak of 2010, both nominal wages and inflation kept on the rise and inflation generally doubled government budget expectations. Unemployment, however, continued to diminish below 7% in 2015.[15] In Uruguay, declining nominal wages accompanied lesser GDP growth, especially after 2013 (Figure 6). Indeed, the Figure shows that in 2015 the FA government could "align" expected inflation, actual inflation, and nominal wage growth as never before since 2005, when centralized bargaining was just beginning. Plus, the year 2015 signals the lowest nominal (and real) wage growth in Uruguay since 2005. As shown in Figure 3 above, in the crucial round of 2015 the government managed to shape wage growth below the maximum "recommended" in its own guideline to social actors—notwithstanding increasing labor conflict (Pérez & Piñeiro, 2016, p. 356; see also Bogliaccini & Queirolo, 2017, p. 595). Though inflation continued a point or so above the Central Bank target, unlike in Argentina the FA neo-corporatist wage

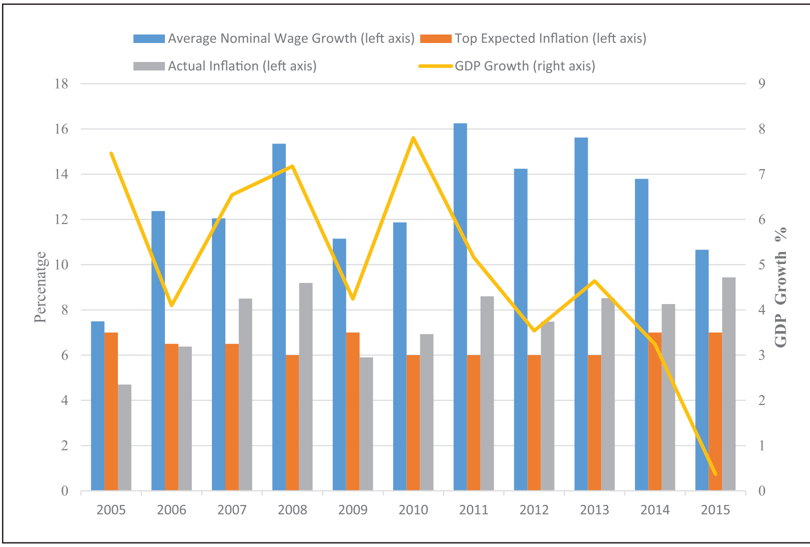

Figure 6. Uruguay (2005-2015): Average nominal wage increase, top expected inflation (Central Bank), actual inflation and GDP growth.
Source. Wages, Average of top 21 sectoral contracts (Labor Contracts Database, see the appendix). Expected inflation (top of target range, BCU). Inflation: National Statistical Institute of Uruguay, GDP Growth World Bank.
BCU = Uruguay Central Bank.

management was largely able to moderate its allied unions in times of lower economic growth. Despite some monetary adjustment, in a context of coordinated wage restraint the costs in terms of unemployment were not huge.[16]

Bargaining Centralization

I have argued, based on the neo-corporatist theory of the late 1990s, that in a world of capital mobility monetary policy is an essential part of the signaling game in aggregate wage negotiations. The institutional configuration of the labor market represents the other side of the equation for effective coordinated wage bargaining. Classic neo-corporatist literature posits that centralization in union organization, and in the wage formation process in general, precludes individual union free riding and favors wage moderation (Cameron, 1984; Schmitter, 1981). If economic and labor authorities want to govern wage policy under neo-corporatism, union restrain is essential. In Uruguay, bargaining centralization, I argue, enhances considerably the government capacity for coordination. This divergence in the degree of centralization has three defined sources: the formal character of wage guidelines, the existence of a peak-level wage negotiation ambit, and the concentration of the national labor confederation.

First, in Uruguay, the government submits formal wage guidelines to social actors. These guidelines are elaborated by the Ministry of Economy and Finance (which, as pointed out earlier, projects the inflation target with the Central Bank) in consultation with the Ministry of Labor. In Argentina, when centralized bargaining took off after 2004 to 2005, the wage parameter for each round was generated in an informal interaction centered at the Ministry of Labor. The Minster of Labor would consult with the Ministry of Economy and sometimes the president about a convenient parameter. At the same time, the minister and his team would get a sense of union demands and business offers in a handful of economic sectors most closely and politically allied with the government. Thus, in both cases wage negotiations finally evolved around a government-influenced parameter. However, the fact that in Uruguay that parameter is explicit, and the government implicitly conveys that it will vote its parameter in case of strong disagreements between social actors, undoubtedly anchors negotiations. In Argentina, it was easier for economic actors to free ride over a parameter that, in the end, is never official.[17]

Second, in Uruguay, the guidelines for each wage round are presented to national business and labor organizations at the CST created by the FA (see Figure 7). Once the guidelines are discussed in the CST, they are derived to the tripartite sectoral councils that take them as a parameter in their negotiations. Though wage recommendations are not formally voted at the CST, in practice the council intermediates between the macroeconomic goals of the government and the sectoral economic conditions on the ground. The diffusion of these parameters to the sectoral councils in which the same actors are represented enables considerably the negotiations. Indeed, in Uruguay, unlike in Argentina, the state sends Ministry of Labor representatives not only to the peak-level CST and the sectoral wage councils, but also to many “sub-groups,” that operate within each sector, some of them composed by actors that bargain on behalf of only various dozens of workers. In terms of Wallerstein and Golden’s (2000, pp. 112-113) measures of neo-corporatist wage patterns, Uruguay constitutes a case of “central wage setting without sanctions,” only below “central wage setting with sanctions” in its degree of centralization.

Argentina lacks any suprasectoral formal ambit for wage negotiations (Figure 8). What is more, in Argentina, only the big wage negotiations/sectors have direct state participation. Most sectors function on a bipartite basis (i.e., with autonomous negotiations between peak-level sectoral representatives of labor and business), unless the negotiations are stalled and the state jumps in. In separate tables, the government bargains with social actors a

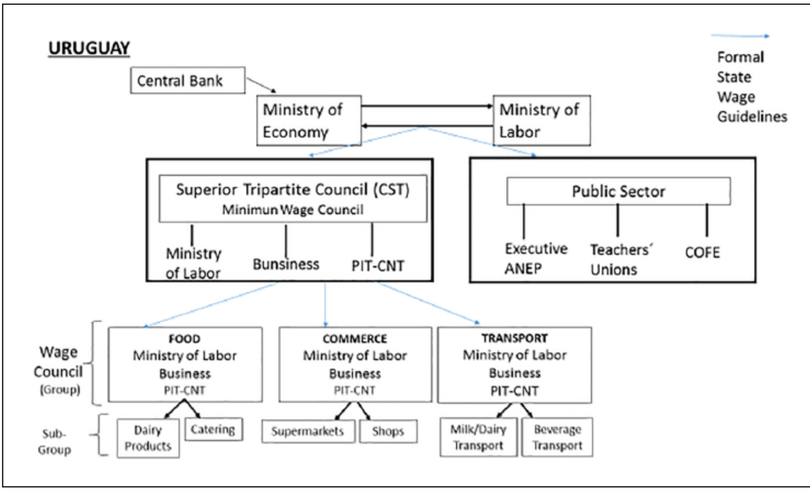

Figure 7. The organizational process of neo-corporatist wage bargaining in Uruguay.
CST = Tripartite Superior Council; PIT-CNT = Inter-Union Assembly of Workers–National Convention if Workers; ANEP = Administración Nacional de Educación Pública; COFE = Confederation of Organizations of State Officials.

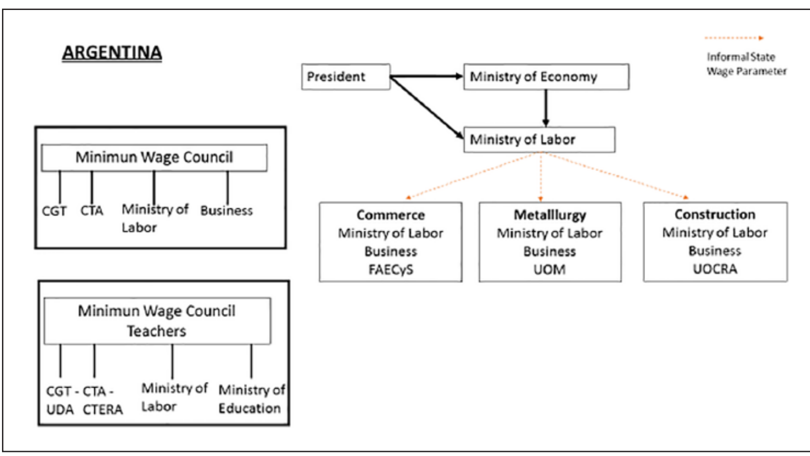

Figure 8. The organizational process of neo-corporatist wage bargaining in Argentina.
CGT = General Confederation of Workers; CTA = Central of Argentine Workers; FAECyS = Argentine Federation of Employees of Commerce and Services; UOM = Unión Obrera Metalúrgica; UOCRA = Workers' Union of Construction; UDA = Union of Argentine Teachers; CTERA = Confederation of Education Workers of the Argentine Republic.

minimum wage for private and central state workers and teachers. The absence of any formal instance of aggregate, national-level coordination of the wage pattern in Argentina of course facilitates sectoral deals that go beyond government parameters.

Finally, a key element in any measure of bargaining centralization is the concentration of the labor movement, that is, the extent to which single organization of workers organize potential constituents (see Golden, Wallerstein, & Lange, 1999, pp. 205-207). Though in comparative terms for the labor institutional literature both nations have a high level of interconfederal concentration, Uruguay stands as an extreme case, similar to the Nordic countries: only one peak-level confederation, PIT-CNT encompasses all the union movement. In Argentina, two national confederations, CGT and CTA group all sectoral unions in the country—though almost all private workers are represented in the former. Most importantly, during most of the *Kirchnerista* period, the CGT was de facto or informally divided: Until 2011, the big service sectors unions did not follow the leadership of the hegemonic transport unions allied with the Kirchners. When Hugo Moyano, leader of the teamster union, formally broke with the government in 2012, he took with him most of the transport unions and some minor industrial organizations, and the CGT remained divided at the confederate level until the end of the *Kirchnerista* period. The negotiation of a more or less uniform wage pattern with such divided union leadership was, especially after 2011, problematic.

In sum, in Argentina, wage guidelines were informal, they were not officially discussed in any national ambit, and union divisions at the confederate level turned the homogenization of wage patterns a complicated endeavor. In Uruguay, by contrast, formal wage guidelines crafted by the government were discussed in a tripartite national ambit, and with a single-leadership union movement. Oddly enough, if one considers the Uruguayan history of "autonomy" of social actors from the state, the left consolidated an institutional process of collective bargaining that is substantially more centralized, vertical, and interventionist than in Argentina, a historic model-case of state-corporatism in the continent.

Neo-Corporatism in the Developing World: Broader Comparative Perspective and Theoretical Implications

Democratic corporatism has been historically a feature of some developed countries in Continental Europe. The worldwide spread of democratization in the late 20th century opened, at least in theory, the prospects for neo-corporatism and wage coordination between free unions and the state in the developing world. At the same time, the parallel wave of financial internationalization, of course, makes nonmarket arrangements even harder in countries starved for foreign exchange and with lower levels of taxation. This article has explained why only two countries, even in a context of left-wing resurgence, were able to sustain centralized incomes policies in Latin America.

Emerging markets in East Asia and Eastern Europe are the natural place to look next. In the first case, however, a quick glance yields a picture quite opposed to any form of real union activation at a national level. Beyond the obvious fact that many big countries in the region are still authoritarian or semiauthoritarian (such as China, Malaysia, and Vietnam), Caraway's (2009, p. 174) survey of labor relations in East Asia finds that "most bargaining takes place at the enterprise level," and that, given very low levels of unionization and firm-based negotiations, "the coverage of collective bargaining is also limited." Even in democratic countries such as South Korea crackdowns on strikes and mass arrests of trade unionists are still common, and restrictions to the right to strike and union formation in the region are pervasive (Caraway, 2009, pp. 164-72, 174). In that context, no country has developed sustained national incomes policies. In Eastern Europe, postcommunism has not been generally kind to unions. Most scholars point out the deregulation of labor institutions after 1989 and the neoliberal nature of the political economies emerging (Crowley, 2008; Sil, 2017). Almost all bargaining, when it exists, takes place at the company level (Crowley, 2008, p. 8). Even when the casket of communist unions was still in place and they participated in national councils during the transitions, Ost (2011) underscores the irrelevance of negotiations for labor market outcomes in this "illusory corporatism."

There is, however, one noteworthy exception widely pointed out in the literature: Slovenia. This small country of the former Yugoslavia has witnessed the consolidation of a neo-corporatist political economy. It has sustained since the 1990s sectoral collective agreements framed by tripartite national incomes policies. Coverage is almost 100% due to extension rules and union density is 30%, significantly higher than in the rest of postcommunist Europe (Crowley & Stanojevic, 2011, p. 273, see also Feldmann, 2006), close to the average EU-15 and to Argentina and Uruguay. The rate of informal labor, around 12% of all workers employed (similar to EU average, see Hazans, 2011; Table A3), makes, however, Slovenian neo-corporatism much less segmented than in Argentina and Uruguay. In sum, for these scholars, a welfare state more generous than in the rest of Eastern Europe, and a heavier reliance on specialized skills, brings Slovenia close to the model of coordinated capitalism theorized by Hall and Soskice (2001).

Interestingly, some of the factors that experts on Eastern Europe see as behind the emergence of democratic corporatism in Slovenia are quite similar to the ones I noted for Argentina and Uruguay: the historical legacy of a relatively autonomous and unified labor movement, its mobilization power, and the extended rule of a center-left party in the aftermath of the transition (1992-2004). Labor, which was part of an indigenous communist movement not imposed by Soviet rule, successfully rebelled against shock therapy policies. The ensuing crisis that brought down the government in 1992 marked the need of peak-level negotiations to promote economic stabilization and eventually opened the door for 12 years of center-left rule and neo-corporatism (Crowley & Stanojevic, 2011, pp. 276-279). In that sense, the contrast with Poland, which developed a fragmented union movement after the alliance of trade union Solidarity with neoliberal parties and the right, is revealing (see Ost, 2005).

In brief, the few examples in the developing world signal the importance of the traditional prerequisites for neo-corporatism stressed by the political economy literature of the 1970s and 1980s in Europe: monopoly labor movements, union mobilization, and alliances with popular or center-left parties that bring reassurances to labor and prevent business free riding. In that sense, these examples would reinforce the power resource theory explanation of coordinated, nonmarket arrangements such as centralized income polices over the need of export business to stabilize a skilled workforce, as stressed by the Varieties of Capitalism literature.[18] In Argentina and Uruguay, centralized wage coordination was largely imposed on employers. Business occasionally complained about certain bargaining regulations and the mandatory character of peak-level wage negotiations.[19] However, in an environment of pro-labor governments, unions' offensive, and (initial) strong economic growth, institutionalized neo-corporatism became also a source of stability for business. Borrowing from Korpi's (2006) analysis of employers' attitude toward wage coordination in advanced economies, employers in Argentina and Uruguay (and in Slovenia) were not obviously main protagonists in the crafting of the new, centralized wage arrangements but mostly "consenters."

Conclusion: Dilemmas of Institutionalization

This study has attempted to explain the surge and performance of neo-corporatist forms of wage coordination in Argentina and Uruguay between 2005 and 2015, which were unique not only within the Left-Turn that swept the continent, but are also in retreat in the rest of the world. It displays a combination of two traditional comparative strategies. First, I employed the most different systems to distinguish common trajectories in Argentina and Uruguay, despite broad historical differences in political development. I traced the crystallization of centralized institutional frames for collective bargaining (which survived both authoritarianism and democratic neoliberalism) and the consolidations of a largely unified labor movement affiliated with a popular sector-based party, as key institutional prerequisites for segmented neo-corporatism. Second, this study used the most similar system strategy to compare wage coordination. I underscored how crucial policy and institutional differences—a nonaccommodating monetary policy and greater bargaining centralization—made general wage coordination in Uruguay more effective than in Argentina.

What are the prospects of further neo-corporatist institutionalization in these two South American political economies? This study highlights that neo-corporatism, as a form of sustained and centralized income policy, can exist in peripheral countries even in an era of economic internationalization. However, the fact that only three countries—Argentina, Uruguay, and Slovenia—can be labeled neo-corporatist in the 2000s signals the difficulty to establish nonmarket forms of coordination in developing economies. Indeed, historical neo-corporatism in Western Europe consolidated throughout various decades, not in a single one, eventually evolving in current "Coordinated" models. In his classic work, Katzenstein (1985, p. 32) posits three general reasons behind permanent democratic-corporatist arrangements: an ideology of social partnership, concentrated interest groups, and a consensus party and interest group politics.

Arguably, both Argentina and Uruguay can display unified economic actors, especially labor. However, one can hardly view in these nations a social dialogue consensus that transcends parties, so crucial in the "small" Nordic and European-Continental countries studied by Katzenstein. In Argentina, by 2017, the center-right Macri government, in the context of a strongly contractionary monetary approach, has eschewed intersectoral wage coordination with unions and liquidated or watered down national minimum wage councils for private and state workers, and for teachers. Continued polarization and the right in power in Argentina have turned neo-corporatism into decentralized sectoral bargains, and government–labor relations have turned sour. The Uruguayan neo-corporatism has also been under attack by right wing and business sectors. Yet, the center-left FA reelection in 2014, coupled with the features underscored in this article—greater capacity to govern wage setting and bargaining centralization—may imply better prospects for the institutionalization of neo-corporatism in this South American economy.

Appendix

Labor Contracts Database

I constructed a database with the nominal wage evolution in the collective contracts of 23 economic sectors (21 private sectors plus state administration and teachers) in each country. These are among the largest sectors in both countries in terms of number of workers.

In Argentina, I used the database of wage levels of the 22 sectors and teachers assembled by the undersecretary of Technical Planning and Labor Studies, Ministry of Labor. The criteria that the ministry uses is that these are the "largest and most representative" (i.e., covering various activities sectors in the country). Though the Ministry of Labor does not exactly gather data on *all* the largest sectors, these contracts cover around 70% of registered workers. For teachers, I use the average wage of the 24 provinces.

In Uruguay, I replicated the same sectors, which encompass the 21 Salary Councils that function in the private sector and two bipartite councils for teachers and the central state administration. In Uruguay, the Ministry of Labor compiles all contracts negotiated in the private sector Wage Councils, but does not systematize wages. Plus, each Salary Council is divided into subgroups. Therefore, my research assistants and I revised manually the contracts, and tracked the nominal wage evolution, of the two largest subgroups in each Wage Council/round. These two subgroups represent on average 80% of the workers in each Sector/Wage Council. The Ministry of Labor in Uruguay does not provide data on wage agreements of public employees, so we took wage levels of state central administration employees from the official publication of the Executive Power (*Boletín Oficial*) which publishes state wage agreements. In the case of teachers, I used the *Anuario Estadístico 2015 de la Administración Nacional de Educación Pública* (ANEP). Overall, in the case of Uruguay, the Salary Councils chosen cover approximately 80% of all registered workers.

Below are union contracts/sectors compiled for each country. In both Argentina and Uruguay, wages recorded from sector-wide contracts are an average of all categories of workers.

Private

Food	Banking
Metals	Teamsters
Auto parts	Commerce
Shoes	Construction
Leather	Building maintenance
Electronics	Civil and sports entities
Printing industry	Janitors
Plastics	Security
Chemicals	Health
Textiles	Passenger transport
	Hotels and restaurants

Public

Teachers
National state

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Notes

1. See Schulze-Cleven (2017) for a recent general review of global labor. The bibliography on neo-corporatism is of course enormous. Perhaps the most complete analysis of the concept’s trajectory is Streeck (2006), see also Molina and Rhodes (2002).

2. Incomes policy and interest representation patterns in the 2000s have been labeled as "neo-corporatist" (Carracedo & Senatore, 2016, p. 165; Lanzaro, 2011) or coordinated (Bogliaccini & Filgueira, 2011) in Uruguay and in Argentina (Etchemendy & Collier, 2007). Cook and Bazler (2013, p. 38) score both cases as the highest level of collective bargaining activation within the Left-Turn in Latin America.
3. For more details on the database construction, see the appendix.
4. The classic work on corporatist incorporation in Latin America is R. Collier and Collier (1991). For diverse uses of the concept in the Latin American context, see the seminal works in Malloy (1977), and D. Collier (1993).
5. Sources: national statistics institutes in Argentina (www.indec.gov.ar) and Uruguay (www.ine.gub.uy).
6. See Mazzuchi (2009) for a very complete overview of the launching of centralized wage bargaining under the FA.
7. See the appendix. The Labor Contracts Database is the source of wages in all graphs. When nominal wages are adjusted for inflation, I used the official inflation in Uruguay taken from Ministry of Economy and Finance. In Argentina, I used the official inflation until 2007, when the national statistical institute was intervened and numbers ceased to be reliable. Thus, for the period from 2007 to 2015, I used the inflation index of the *Instituto Estadístico de los Trabajdores* (ITE) based on the average of four provinces (CABA, Neuquén, San Luis, and Tierra del Fuego) controlled by opposition forces.
8. In strict terms, both the FA and the PJ ceased to be labor-based with the fragmentation of labor markets, and sought alternative popular constituencies—see Levitsky (2003) for Argentina and Luna (2014) for Uruguay.
9. Lanzaro (1985, p. 55) refers to the Uruguayan labor movement between the postwar period and the late 1960s as "decentralized and marked by compartmentalization and divisions"
10. Indeed, Roberts (2013) defines Argentina as a labor-mobilizing party system and Uruguay as elitist during the postwar period.
11. In Uruguay, tripartite Salary Councils had to be legally convoked by the Executive but the state did not "grant any formal attribution or legal recognition. There are no labor cooptation or exclusion codes" (Lanzaro, 1985, pp. 68, 49-51). In Argentina, by contrast, the state bestowed monopoly representation to the largest sectoral union.
12. For the politics of these de facto flexibilizations in Latin America see Murillo and Schrank (2005), and Etchemendy (2011), see also Cook (2007).
13. Moyano met with the other big unions and actually worked to impose the government parameter, See *Clarín* and *Página 12*, 2/21/2008.
14. Author's interview with a former FA Minister of the Economy, Montevideo, September 14, 2016.
15. National Statistics Institute of Argentina (https://www.indec.gov.ar/).
16. Unemployment rose from 6.5% in 2013% to 7.5% in 2015 (http://www.ine.gub.uy/).
17. Figures and narrative in this section are based on interviews with Argentine former Minister of Labor, Carlos Tomada, and Vice-Minister, Noemi Rial, Buenos

Aires April 2016; and with former Minister of the Economy, Fernando Lorenzo, and Undersecretary of Labor, Nelson Loustaunau, in Uruguay, September 2016, and with other key actors involved in the process.

18. Indeed, both Argentina and Uruguay lack a strong export industrial sector or a consistent, post-ISI industrial policy of the sort analyzed by Schrank and Kurtz (2005).
19. Juan Mailhos, head of the Chamber of Commerce and a top business representative in Uruguay stated that "We want collective bargaining to be at firm-level, voluntary and without state participation. And the FA made it sectoral, mandatory and with state participation" Personal interview, Montevideo, September 7, 2016.

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