

# **Wage Bargaining and Political Strength in the Public Sector**

by

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## **Abstract**

This paper analysis the link between political strength and public sector wages using a unique matched individual-employer data set for Norwegian local governments during the period 1990-1998. The results indicate that political strength, measured in several ways, has a positive effect on wages, while administrative strength, measured by the tenure of the chief executive, has a negative effect. The positive effect of political strength is consistent with a model in which the budgetary process is a multistage game and employment is determined in an interaction with interest groups prior to the wage bargain.

JEL classification: D73, H72, J45

Keywords: Public sector labor market; Wage bargaining; Political strength; Budgetary process;

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