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Franz Traxler*

Employer Associations, Institutions and Economic Change: A Crossnational Comparison**

It is commonly assumed that the current direction of economic change is detrimental to such collective industrial relations actors as employers' associations. Adopting a crossnationally comparative perspective, this paper examines how employers' associations cope with this challenge. This is done in two ways. On the one hand, the impact of economic change on membership strength is tested against the impact of industrial relations institutions that embed collective action. On the other hand, the paper analyzes how the employers' associations have actively tried to adjust themselves to the changing conditions.

Arbeitgeberverbände, Institutionen und wirtschaftlicher Wandel. Ein internationaler Vergleich

Es ist davon auszugehen, dass der gegenwärtige ökonomische Wandel die Probleme kollektiven Handelns, wie sie sich Arbeitgeberverbänden stellen, verschärft. Auf der Grundlage eines internationalen Vergleichs untersucht dieser Aufsatz, wie Arbeitgeberverbände auf diese Herausforderung reagieren. Dabei werden zum einen die Auswirkungen des ökonomischen Wandels im Verhältnis zum Einflussgewicht institutioneller Faktoren auf die Mitgliederstärke der Arbeitgeberverbände analysiert. Zum anderen wird der Frage nachgegangen, welche Anpassungsstrategien angesichts der veränderten Rahmenbedingungen von den Arbeitgeberverbänden eingeschlagen werden.

Key words: **Employers, employers' associations, crossnational comparison**

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1. Introduction

A multiplicity of economic developments has brought about significant change in the context of industrial relations. These developments include technological advances, internationalization and globalization of markets and capital, and manifold other changes in production systems, work organization, the sectoral and occupational structure of the economy, and macroeconomic policy. It is commonly assumed that the direction of all these changes is detrimental to the collective actors in industrial relations (i.e. unions and employer associations). This detrimental effect is most evident in the case of economic internationalization which at the same time represents the driving force behind most of the other developments mentioned. The dynamics of economic change have mainly been propelled by the expansion of internationalized markets which in turn have given rise to intensified competition both within and across countries. This poses a serious challenge to collective actors, since market competition is at odds with the solidaristic principle of collective action: To the extent that economic change both expands and intensifies market competition, it threatens to undermine the individual actors' willingness to associate.

While these processes challenge all collective actors in industrial relations, one may assume that employer associations are hit more than the unions. This follows from employers' special kind of constituency. Companies that are potential members of employer associations are much more empowered than any other actor in society to respond to economic change individually and autonomously from associational action.

For associations like employer organizations, the integration of their (potential) membership is a complex phenomenon that relates to several dimensions of compliance, namely joining the association, paying the fees and acting in accordance with the association's goals and decisions. The economic challenge delineated above most seriously affects the basic dimension of compliance, that is, membership as such. If it is true that economic change makes employer associations less important to advancing employer interests, then the subjectively perceived ratio of costs and benefits regarding membership tends to deteriorate. Affiliated employers are likely to leave and newly established companies will probably not join.

This paper examines how the employer associations cope with this challenge. This analysis is based on a comparison of 20 OECD countries (Table 1). First of all, this requires analyzing the development of their membership strength and the determinants of this development. Hence, the paper's following section elaborates the hypotheses and measures for this analysis. After this, the data and findings are presented. For a full understanding of the development of employer associations, we also need to know whether and how they have tried to adjust themselves to the changing economic conditions. This is the issue of the next section.¹ The paper concludes by discussing the implications these findings have for the future of employer associations.

¹ Put in epistemological terms, the (quantitative) analysis of membership deals with the „causes“ of the observed development of employer associations, whereas the (qualitative) study of their adjustment strategies addresses the „reasons“ for this development.

2. Hypotheses and measures

First of all, we have to operationalize the dependent variable: employer associations and their membership strength. Employer organizations are understood as associations aimed at representing labour market interests, in contrast to interests which business has in other markets. This definition includes „pure” employer associations (specialized exclusively in labour market interests) and „mixed” associations (organizing both labour market interests and other business interests). Membership strength is measured as associational density (i.e. the ratio of actual to potential members). There are two measures of employer density, referring to either the firms themselves or the firms’ employees (Traxler et al. 2001). The power of an employer association as compared to its union counterparts depends less on the number of firms than on the number of employees covered. Hence, measuring employer density in terms of employees is preferable.

Data on employer density are sparse. At the same time, employer associations are numerous. Even in the case of small countries like Portugal and the Netherlands estimates suggest that several hundred exist. For this reason, our analysis of density is confined to a country’s principal (i.e. largest) employer peak organization whose formal membership domain is country-wide and cross-sectoral. Peak organizations are independent in that they are not subordinate to any other employer association. Employer density (LED) is defined as the proportion of employees organized by the largest employer peak within its own domain, understood as formal eligibility for membership laid down in the peak’s constitution. In line with this operationalization, all of the above associational measures but interassociational fragmentation (ESYS) refer to the principal employer peak.²

In line with the general argument outlined above, the ongoing direction of economic change is expected to erode member support. Accordingly, the quantitative analysis should show a statistically negative impact of economic change on density. However, there is an alternative hypothesis, emphasizing the relevance of (non-market) institutions that embed associational action. The argument is that institutions can defy competitive pressures due to market imperfections (North 1990). This means that associations may be able to maintain member support despite unfavourable economic conditions, when being backed by strong institutions that enable them to overcome their collective action problems (Traxler et al. 2001). This implies that the level and the development of employer density should significantly vary with institutional configurations. We will thus test a convergence thesis (predicting a general decline in member support across countries as a result of economic change) against a path-dependency thesis (assuming continued diversity of density due to differing institutions). In contrast to numerous studies of union density, comparable analysis of employer density is rare. The following specification of hypotheses thus draws from collective action theory (Olson 1965), from findings on union density (as far as they are applicable to employers) and in particular from recent comparative research in employer associations (Traxler 2000a; Traxler et al. 2001; Traxler 2003). When revisiting

² For a detailed operationalization of all measures, see the Appendix.

this literature, one finds two clusters of possible determinants of employer density that correspond with the two competing main theses outlined above.

The first cluster addresses the economic context of associational action. As mentioned above with regard to economic change, this context embraces a multiplicity of distinct dimensions. Their impact on density varies with the respective interest group. For instance, work organization and the occupational structure of the economy are negligible in the case of employer associations, whereas they certainly affect the membership strength of the unions. We thus focus on those dimensions which are hypothesized to be most important to employer associations: that is, economic internationalization, the sectoral composition of the economy and the size of the economy.

One may argue that economic internationalization challenges employer associations even more than unions. Paradoxically at first glance, this is because economic internationalization creates opportunities rather than threats for the companies as a distinct class of actors in comparison to other categories of industrial relations actors. The reason for this is that internationalization of markets enhances the possibilities of cross-border mobility on the one hand, and that companies are superior to any other actor in terms of their capacity for cross-border mobility on the other hand. This growing capacity of the companies for cross-border mobility and their transnational presence in markets threaten to devalue the benefits of associations whose domain is always limited in territorial respects. Moreover, growing possibilities of cross-border mobility tend to fuel the employers' worldwide attempts to decentralize and/or deregulate industrial relations and to re-integrate them into the realm of their company. Since these tendencies question the role of employer organizations in industrial relations, their relevance for business may become increasingly dubious. Hence, the hypothesis is that economic internationalization significantly damages employer density. Internationalization primarily takes place in product markets and financial markets. The standard indicator of a country's internationalization of product markets is foreign trade dependence, defined as the sum of exports and imports as a percentage of GDP (OPEN1). To measure financial internationalization, we use foreign direct investment (FDI), understood as inward plus outward investment as a percentage of GDP.

The sectoral composition of the economy may affect employer associations in a way analogous to the unions (Visser 1991): manufacturing is likely to be the stronghold of employer associations, as compared to the service sector. Hence, there should be a positive relationship between the size of the manufacturing sector and density. Since there has been a long-term trend towards an expansion of the service sector relative to manufacturing across the OECD, this kind of economic change should also work to the disadvantage of employer associations. The size of manufacturing (MAN1) is measured as the share of the sector's employees in the total number of a country's employees.

Aside from its sectoral composition, the sheer size of an economy is likely to influence density. Growing group size affects collective action negatively (Olson 1965). From the associations' perspective, the strategy of maximizing membership may be less rational in large countries than in small ones (Wallerstein 1989), since a reasonably high number of members is sufficient for resourcing an association. In large countries,

this (absolute) number of members can be reached at lower density levels, compared to small countries. Since associations are normally forced to economize on resources, it is not rational for them to invest in increasingly expensive member recruitment beyond that absolute number of members required for effective action. Our measure of the size of the economy (DEP1) is the total number of a country's employees.

The second cluster of factors refers to the employers' institutional context. As regards those institutions which can contribute to solving the recruitment problems of employer associations, two categories of institutions are of utmost importance: the organizational structure of employer associations and mechanisms providing selective incentives for their members.

Employer associations can attract potential members by tailoring their organizational structures as closely to their members' immediate interests as possible. This involves an association's demarcation of domain and its decision-making procedures. The demarcation of domain defines the range of interests covered by an association. Encompassing domains induce associations to internalize highly heterogeneous interests. Under these conditions the interests of a certain member group will often be neglected and filtered out in the course of internal interest aggregation and goal formation. Hence, encompassing domains create more problems for member recruitment than narrow domains do. Our measure of the scope of domains (i.e. the concentration/fragmentation of the associational system) is the number of national, cross-sectoral employer associations (ESYS): The larger the number of associations, the narrower their interest domain tends to be, because associations are forced to specialize in certain interests under these circumstances. Internal decision-making procedures are also important to member recruitment. An individual employer's influence on the decision-making process decreases with growing centralization. This probably deters employers from joining an association. When measuring centralization, we focus on the employers' rights and obligations in relation to higher hierarchical levels of goal formation (ECENF). The hypothesis is that employer density increases with inter-associational fragmentation (i.e. narrowly defined interest domains, indicated by a large number of associations) and with intra-associational decentralization.

Selective incentives reward members and/or punish non-members. In principle, any associational service offered exclusively to members can work as a selective incentive. In practise however, services may also be collective goods (from which also non-members benefit) or a mixture of selective and collective goods. An example is the associational representation of members in labour court proceedings. The representation of the particular member involved is certainly a selective good. However, a basic ruling by the court in favour of the employer is also a collective good. To identify an association's selective incentives, in-depth analysis of each single activity would be needed, something which is beyond a comparison of 20 countries. Instead, we take the range of an association's representational activities vis-à-vis the state (EAP) as a yardstick for its service potential. The rationale of this measure is that an association can derive selective incentives from the provision of collective goods. For instance, an association's participation in industrial policy may serve as the basis for faster and better informing the members about related issues. Therefore, we expect density to in-

crease with the range of state-related representational activities performed by the association.

Employer associations can also derive selective incentives from bargaining with the unions. Strong unions induce the employers to associate because protection against labour's collective action is a key function of employer associations. Incentives of this kind include such activities as advice on matters of industrial relations and financial support in case of industrial disputes which employer associations will provide only for member companies. More generally, employer associations are designed to counter „whipsawing“ union tactics aimed at confronting each company individually.³ Put in operational terms, employer density is assumed to grow with union density (UD1).

Another selective incentive results from statutory provisions for extending multi-employer collective agreements to those employers not affiliated to the signatory employer association (Gladstone 1984; Traxler 1998a). Given such practices, employers have good reason to believe that a collective agreement will bind them even when they stay outside the association. Hence, it is rational for them to associate so as to be entitled to participate in the bargaining process the outcome of which may be binding on them in any case. We thus hypothesize that employer density increases with the pervasiveness of extension (EXTP).

3. Data and findings

As a consequence of the limited availability of comparable time series data on employer density, it is impossible to employ a pooled time-series design. Instead, this analysis adopts a cross-sectional approach, which compares two periods (i.e. 1986-1990 and 1994-1996). For reasons of space, descriptive statistics are presented here only for the dependent variable, that is, density (Table 1).

With 100 %, density is highest in Austria, since all firms in the WKÖ's domain are legally required to be members. The WKÖ is the only principal employer peak relying on obligatory membership. However, formally voluntary membership co-exists with informal mechanisms of compulsory member recruitment in several other countries. Most importantly, compulsory payment of dues, which comes closest to compulsory membership, is institutionalized on the basis of sectoral-level collective bargaining in Belgium, the Netherlands and Spain. For example, in Belgium's textile industry, all employers are obliged to pay 1% of gross wages to a central fund primarily designed to finance payment of additional unemployment benefits to union members. This fund also sponsors the sector's employer association, which keeps 5% of all contributions for running its own organization (Blanpain 1998: 282). Under these circumstances, the employer associations – in cooperation with their union counterparts – are able to impose levies on non-members via legally based extension of collective

³ Notably, the power of these incentives tends to vary with employer groups, namely with firm size. This is not only because union density increases with firm size (Visser 1991). In addition, confronting each single firm probably overstretches even the power of strong unions, such that they will concentrate their whipsawing tactics on large companies.

agreements to unaffiliated firms. Given the obligatory payment of dues, employers have every reason to join their association.

Table 1: The largest employer peak organization: density (LED)

Country	Name	LED*	
		1986-90	1994-96
A	WKÖ	100	100
AUS	CAI (1986–95), ACCI	62	75 ^g
B	VBO/FEB		72
CDN	—	0	0
CH	ZSAO, SAV ^c	39	37
D	BDA	73 ^h	72 ^h
DK	DA	38	39
E ^a	CEOE	75	72
F	CNPF ^d	75	74
FIN	STK (1986–93), TT	42	44
UK	CBI		54
I	C	81	39
IRL	FUE, FIE ^e (1986–93), IBEC	36	39
JP	Nikkeiren	39	40 ^g
N	NAF, NHO ^f	32	31
NL	VNO (1986–94), VNO-NCW		79
NZ	NZEF	90	90
P ^b	CIP		34
S	SAF	54	55
USA	—	0	0
Mean		52.3	52.3

* Period means or most recent data

^a Since 1977, ^b Since 1975, ^c ZSAO renamed in SAV in 1996, ^d CNPF renamed in MEDEF in 1998,

^e FUE renamed in FIE in 1989, ^f NAF renamed in NHO in 1990, ^g 1997, ^h West Germany. For definition of LED and abbreviations, see Appendix. Data basis: Traxler et al. (2001).

Aside from Austria, the peaks of Australia, New Zealand, (West)Germany, France, Belgium, the Netherlands, and Spain record high density levels of more than 70%. Until the 1990s, Italy's *Confindustria* also belonged to this group. The subsequent decline in density results from an extension of its domain since 1991 from manufacturing to services, where the level of membership lags behind that of manufacturing. Employer density is not outstanding in the Nordic countries. Two factors (as the following analysis will show) mainly account for this situation: extension practices do not exist in these countries except Finland. Furthermore, all Nordic peaks are characterized by extremely high centralization that makes them strong in terms of strategic capacity but negatively affects their membership strength. In Australia, the strong increase in density from the early to the mid-1990s reflects the merger of the CAI and the Australian Chamber of Commerce to form the ACCI.

Finally, the USA and Canada lack any form of employer peak associations. Below peak level, Canada records employer associations in a few sectors which differ considerably in their role across the distinct provincial jurisdictions.

The comparison of the two periods suggests high stability of employer density. With the exception of Italy and Australia, only slight changes took place, without particular trend.

Turning now to the empirical examination of our hypotheses, we will leave out the case of Austria, since its principal peak relies on obligatory membership. To address each single hypothesis, we begin with a cross-sectional design, based on bivariate correlations (Table 2).

Table 2: Economic and institutional correlates of employer density (LED)

	1986-90	n	1994-96	n
FDI	0.22	15	0.31	17
OPEN1	-0.05	15	0.12	19
MAN1	0.52	15	0.06	19
LNDEP1	-0.15	15	-0.23	19
EAP	-0.21	13	-0.26	17
ECENF	-0.28	13	-0.47	17
ESYS	0.41	13	0.12	17
EXTP	0.59	15	0.44	19
UD1	-0.01	15	-0.10	19

Pearson's correlation; n = number of cases

For the countries included, see Table 1; Austria generally omitted; Canada and the USA excluded with regard to EAP, ECENF and ESYS; Belgium and Portugal excluded with regard to FDI (1994-96).

For definition of the institutional variables, see Appendix.

Most essentially, none of the two measures of economic internationalization has the expected relationship with density (LED). Foreign trade dependence (OPEN) is almost completely irrelevant. Foreign direct investment (FDI) affects density. However, this contrasts with the hypothesis in that density tends to increase with FDI. This suggests that the transnational spread of market relations by economic internationaliza-

tion does not undermine employer solidarity as demarcated by national boundaries. The effect of manufacturing (MAN1) is difficult to assess. This is because the two subperiods available strongly differ in the number of countries which is paralleled by differences in how the domains of the national peak associations relate to manufacturing. We shall return to this issue when presenting the results of the multivariate analysis. Among the factors related to the economic context of associational action, only the size of the economy (LNDEP1) shows a clear effect in line with the above assumptions.

Institutional factors (especially extension practices) are much more important than the economic context. All institutional factors except two are correlated with density in the hypothesized way.⁴ The two exceptions are associational participation in public policy (EAP) and union density (UD1). There is even a negative relationship of associational participation with density (LED). This indicates that associational participation works primarily as a collective good from which selective incentives cannot systematically be extracted. The case of union density is more complex. Its (statistical) irrelevance is caused by such intervening variables as external, state-provided membership incentives. Such incentives are essential to both employees and employers. The two sides of industry, however, differ in what external selective incentives matter: in the case of employees, the decisive incentives are union-led unemployment schemes (Ebbinghaus/Visser 1999; Traxler et al. 2001); for employers, the extension of collective agreements matters. What makes the density of employers and employees rather independent of one another is the fact that any establishment of these two types of incentives does not co-vary across countries. For instance, in most of the Scandinavian countries, union-led unemployment schemes exist but extension practice is completely lacking. This contributes to the clearly higher level of union density there, compared to the employers. The diametrically opposed pattern characterizes countries like France, Portugal, and Spain, where extension is pervasive and union-led unemployment schemes do not exist at all. In all these cases, employer density surpasses union density. Another intervening factor is product-market interests. When employer associations are mixed, businesses may join for the mere reason of product-market interests, implying that unions are no incentive for employers to associate. This is exemplified by the CBI. It has largely retained its density although industrial relations activities have receded into the background. In contrast, Britain's lower-level employer associations lost around half of their density (in terms of establishments) over the 1980s (Millward et al. 1992), when multi-employer bargaining withered away. Hence, the CBI's ability to attract members primarily comes from its role as a trade association that deals with product-market interests.

One can infer from this that union density affects employer density most strongly in those countries where *pure* employer associations are established and where *neither* union-led unemployment schemes *nor* extension practice exist as the two key selective incentives for employees and employers. Testing this hypothesis encounters serious

⁴ To investigate the effect of centralization and associational participation on density, the USA and Canada must be left out, since there can be no effect caused by organizational structures, if employer associations do not exist.

problems. Above all, it is impossible to differentiate between mixed and pure employer peaks, because many affiliates – even of pure employer peaks – are mixed. Hence, we must exclude the functional differentiation of employer associations from our considerations. We can control only for selective incentives: there are seven countries where neither union-led unemployment schemes nor extension provisions are in operation (Ireland, Italy, Norway, the UK, Japan, Canada, and the USA). In line with our basic assumption, employer density is positively correlated with union density in the case of this subgroup of countries ($r_{LED/UD1} = 0.34$ [$n = 7, 1994–1996$]).

To take account of this complex interplay of factors for the purpose of the multivariate analysis, we include the interaction of extension practices (which thus will be introduced as a dichotomized dummy variable, EXTPD) with union density (EXTPD \times UD1). Taking into consideration that centralization (ECENF) and associational fragmentation (ESYS) have no meaningful score in the case of the USA and Canada, the mean for this variable was assigned to these countries. A dummy for the special case of New Zealand is also included in the model referring to the second period under examination (i.e. 1994–1996). This is because of the lagged consequences of the 1993 reform of the industrial relations system. Until 1996 this reform led to notable changes, namely a decline in union density, the shift from multi- to single-employer bargaining and the concomitant disappearance of extension practice. However, employer density which should decline in response to these changes according to our hypotheses, actually fell to a considerable extent only after the end of the focused period. In addition to the institutional factors noted above, manufacturing (MAN1) enters the model, since this is the only variable of economic change for which the bivariate analysis (Table 2) has at least shown the expected direction of influence.⁵ Table 3 presents the findings of the multivariate analysis for both reference periods.

There is the expected, significant effect of this variable for the first period. The same holds true for associational fragmentation (ESYS). All the other institutional variables show a significant impact on employer density over both periods in accordance with the hypotheses: Growing intra-associational centralization of decision-making significantly dampens the density ratio of employer associations. Furthermore, employer density is significantly higher in a situation of extension practices (EXTPD⁺), as compared to countries where such practices are absent. Employer density also significantly increases with union density (UD1⁺) in the case of absent extension practices. The negative coefficient of the interactive term (EXTPD \times UD1) indicates that union density even shows a strong negative association with employer density, if extension provisions are implemented. This means that extension provisions (when practiced) clearly dominate and overshadow union density as a determinant of employer density.

⁵ We exclude the other variables of economic change from the multivariate analysis not only because their bivariate correlations with employer density showed no consistent effect. In addition, one should not inflate the number of independent variables in a small-sample situation.

Table 3: The determinants of the level of employer density (LED)

	1986-90	1994-96
MAN1	1.93** [2.63]	0.55 [0.57]
ECENF	-9.66*** [-3.24]	-10.28** [-2.81]
ESYS	5.73*** [3.77]	2.64 [1.27]
EXTPD ⁺	69.51*** [4.45]	72.82*** [4.35]
UD1 ⁺	1.97*** [3.92]	1.82*** [3.10]
EXTPDxUD1	-1.03** [-3.08]	-1.01** [-2.69]
NZ	---	37.31* [2.09]
Constant	-152.05*** [-4.86]	-117.40** [-2.92]
R ²	0.76	0.55
N	15	19
F-Test	0.01	0.02
Durbin-Watson statistic	1.49	1.85

* $p \leq 0.10$; ** $p \leq 0.05$; *** $p \leq 0.01$; R² = adjusted coefficient of determination

Entries are OLS-coefficients in period-specific cross-section models; t-statistics in square brackets.

EXTPD⁺: extension practiced (absent extension is the reference category).

UD1⁺: union density if extension is absent.

EXTPDxUD1: interactive effect, indicating the differential impact of UD1, conditional on whether extension is practiced or not.

USA and CDN: values for ESYS and ECENF set to overall mean; Austria omitted; NZ: control for the special case of New Zealand (1994–96).

For variable definitions, see Appendix.

The upshot of these findings is that employer density is predominantly shaped by its institutional context. Above all, the strong impact of extension practices (EXTPD) and union density (UD1) underpins the relevance of engagement of employer organizations in labour relations in general and collective bargaining in particular. Put more succinctly, it is multi-employer bargaining which is central to the membership strength of employer associations, since extension provisions can be implemented only in connection with multi-employer settlements.

All in all, this analysis confirms other comparative studies of employer density which, however, differ in the set-up of the multivariate model and the measures of the institutional variables (Traxler et al. 2001, Traxler 2003). This suggests a high robustness of findings.

4. The associational responses to the challenge of economic change

The above analysis has shown that employer density is strongly influenced by institutional factors, whereas the effect of economic conditions is rather negligible. Although we lack long-term data series on employer density, this finding suggests that economic change has not resulted in a membership crisis of employer associations. This, however, does not mean that there is not any effect of economic developments at all. Rather, the given institutions (including the employer associations themselves) have mediated these effects, implying that the magnitude of challenge, as posed by economic change, varies with institutional configurations.⁶ This section gives an overview of what adjustment strategies the employer associations have adopted in order to offset the potentially detrimental effects of economic change on their level of membership.

As noted above, the essence of these detrimental effects is that economic change has qualified the benefits of associational membership in relation to its costs. Generally, this loss in benefits has been caused by the fact that the above economic developments have given rise to more or less accentuated tendencies towards decentralization and deregulation of industrial relations across the OECD. These processes of decentralization and deregulation have in turn resulted in growing importance of the companies as compared to employer associations, when it comes to regulating the terms of employment. In principle, employer associations have had two basic options of coping with this challenge. First, they can offset this loss of benefits by mobilizing new incentives for membership. This option means *functional* adjustments to economic change. Second, employer associations can compensate for the loss in benefits by lowering the costs of membership, such that the ratio of costs and benefits does not alter significantly. This option relies on *structural* adjustments to economic change. Empirical evidence suggests that employer associations have resorted to both options, all the more since they represent complementary rather than alternative approaches.

As far as functional adjustments are concerned, one notable strategy pursued by national peak associations has been to replace tasks directly related to collective bargaining with functions of political lobbying. Comparative research in the development of collective bargaining has shown that in most countries decentralization of bargaining has taken the form of a decay of central-level, interindustry bargaining (in favour of combined bargaining at sector and company level) rather than a radical move from multi- to single-employer bargaining (Traxler et al. 2001). As a consequence, bargaining decentralization has most strongly questioned the role of the peak-level employer associations. In line with their all-encompassing, cross-sectoral domain, peak-level associations are designed to aggregate and represent the interests common to all groups of employers. In a context of central-level bargaining being in decline, it is rational for

⁶ The recent crisis of the German employer associations (e.g. Artus 2001; Schroeder/Ruppert 1996; Völkl 2002) fits well into this path-dependent mode of development. As union density has strongly declined as well as extension practices have always been limited and have even decreased since the mid-1990s, Germany meets key preconditions for a decline in membership of employer associations, seen from a comparative perspective (see Tables 2 and 3).

the national peak employer associations to re-orient their profile from bargaining issues to tasks of political lobbying and campaigning that address the government and the public. An example of a profound re-orientation of this kind is Sweden's SAF which withdrew from centralized bargaining in the early 1990s, while political opinion formation has strongly gained in importance (Pestoff 1995). Likewise, its French counterpart, CNPF, has underscored its shift in priorities from central-level bargaining to the political promotion of business interests by renaming itself in *Mouvement des Entreprises de France* (MEDEF) in 1998 (EIRO 1998).

According to the categorization by Olson (1965), replacing collective bargaining tasks by lobbying activities is a case of functional adjustment that substitutes one certain collective good for another one. As peak associations not always interact directly with the company members covered under their umbrella, they have limited opportunity to resort to the classical means of improving the benefits of associational membership: that is, the provision of selective incentives. For the above reasons, any systematic inquiry into the range and change in selective incentives offered by employer associations is beyond this study. We thus lack comparative information about the extent to which employer associations have responded to the challenges of economic change by extending the range of selective incentives. Regardless of this, this has probably not happened on a large scale. This is because offering more selective incentives requires additional resources, something which conflicts with the very strong pressures to cut costs (see below). However, the example of New Zealand underpins that this strategy can be essential under certain circumstances (Traxler et al. 2001). The 1991 deregulation of industrial relations has resulted in a significant move from multi-employer bargaining to single-employer bargaining which forced the employer associations to undergo radical reforms as well. As the case study of the Auckland Employers Association demonstrates (Carrol/Tremewan 1993), employer organizations have done so by deliberate commercialization. While the association lost its bargaining tasks, it developed into a professional provider of services which are sold to members. Meanwhile, earnings from services exceed general membership fees which were reduced in the course of the reform. The case also illustrates that - under the given financial constraints imposed on employer associations - the expansion of and the improvement in services is bound to making them payable. This in turn tends to convert the association from a genuine employer organization into a commercialized undertaking. Such a strategy is feasible in response to a radical change in the industrial relations system, as happened in New Zealand. Another, more important strategy of functional adjustment has been to place more or new emphasis on representation of product market interests. In the case of pure employer associations this has often taken the form of mergers with trade associations specialized in product market interests. Among the 20 countries, Ireland, Norway, Portugal and, more recently, Sweden and Japan saw a shift of their principal employer peak association from the pure to the mixed status. One can observe analogous developments below peak level in several countries (e.g. Sweden).

Mergers are aimed not only at functional adjustments in the sense of incorporating product market interests. Aside from this, they may also relate to structural adjustments, designed to curb costs and economize on resources. At peak level, such

merger happened in Finland, where the mixed employer peak, STK, combined with a trade peak association to form TT in 1993. In particular, structural adjustments by mergers involve the associations below peak level, since most synergy effects can be created when narrow associations combine to form more encompassing units. However, as the crossnational comparison reveals, it is not a strategy frequently used. For 13 of the 20 OECD countries, data on the number of affiliates to the principal employer peak association are available. The fact that the average number of affiliates per peak association only slightly decreased from 86.5 in 1980 to 85.4 in 1996 indicates a very limited tendency to merge (Traxler et al. 2001). One explanation for this lies in the above finding that companies prefer narrow associations over more encompassing ones. In addition, the need to form special associations for newly emerging sectors has more or less offset the limited number of mergers. It should be noted, however, that the effectiveness of structural adjustments by mergers varies widely across countries. They are most thoroughgoing in the Scandinavian countries. For instance in Denmark, DA's number of affiliates fell in less than one year from 150 to 51 (Traxler 1998b).

Other measures of structural adjustments include cuts in budgets, staff, dues and services. Sometimes, free services were made payable. At the peak level, such reforms took place in Austria, Denmark, Finland, Germany, and Sweden. As lowering membership dues are an especially effective means of improving the cost-benefit ratio of membership, these reforms have led to substantial dues reductions in several cases. For instance, SAF's annual budget has been reduced by more than 20 % in connection with a lowering of the subscriptions by almost 50 % (EIRR 1993:12). In connection with the formation of TT in Finland (see above), staff as well as dues have been reduced by one third. In 2000, Austria's WKÖ decided to reduce the dues by 30 %.

The massive dues reductions, as implemented in the above cases, can be taken as evidence of the enormous pressures which the members have imposed on their associations to initiate reforms, primarily devised to economize on resources. These member-driven pressures for lower dues are part of more general employer efforts to curb costs against a background of intensified competition which is certainly fuelled by economic internationalization. Hence, the employers' organizational response to the challenge of economic change is not recourse to „exit” from their associations but to „voice” in the sense of attempts to modernize them. Put more specifically, it has primarily been the group of larger companies which has so strongly pressed for reforms. In line with this, most of the reform measures outlined above are tailored to the interests of this group. In comparison to their smaller counterparts, large firms can more effectively draw advantage from the transfer of bargaining tasks to the company level in the course of bargaining decentralization; and they are less sensitive to cuts in services and higher charges for them, as they are less in need of this kind of associational activities. The large firms have been able to enforce their interests due to their predominance in employer associations, which is normally endorsed in voting rights weighted according to the amount of dues paid, which is in turn linked to such criteria of firm size as employment and the wage sum.

5. Conclusions

Despite economic changes detrimental to collective action employer associations have been able to adjust to these changes without a significant decline in membership strength. It should be noted, however, that this finding refers to membership strength in terms of employees covered. One important factor enabling the associations to preserve density in terms of employees has been the special emphasis their adjustments have placed on the interests of large companies. As noted above, the large companies are essential to the associations' membership strength because they account for most of the employees covered by peak associations. As an implication, employer associations may have been less able to maintain their capacity to integrate smaller companies, such that their density in terms of member firms may indeed have declined.

At any rate, the associations have achieved success in more or less maintaining density in terms of employees at the expense of their traditional role in industrial relations. As far as their functional adjustments are concerned, employer associations have more or less re-oriented themselves towards representation of product market interests and political lobbying, while genuine bargaining tasks have been curtailed in particular at the peak level. The structural adjustments have led to cuts in resources which are likely to restrain their strategic capacity for collective action. One might, therefore, infer that employer associations have been weakened as a voice of business. Such conclusion, however, would be an over-generalization. Employer associations have become weaker mainly in relation to their constituency, since powers in terms of bargaining tasks as well as resources in terms of lower dues have been transferred to their members. But these adjustments do not translate into a corresponding weakness of either employer associations or employers in relation to their labour counterpart. This is because the structural (i.e. pre-associational) power asymmetry that works in favour of employers in the labour market (Offe 1985) more than offsets this associational weakness. Growing unemployment and growing internationalization of markets tend to increase this asymmetry. Paradoxically, the weakening of employer associations even tends to become converted into a strategic advantage in their negotiations with unions, since the bargaining party less interested in an agreement and less capable of binding its members obtains the stronger bargaining position (Elster 1989).

Furthermore, the above analysis has provided strong evidence that the employers' propensity to associate is still shaped almost exclusively by the institutional context. This context in turn is determined by the properties of the nation state: extension practices, union density, the associational system of employers and the degree of centralization of the principal employer peak all vary considerably across countries.

The extraordinary relevance of extension practices (which have proved the most powerful single correlate of employer density; Table 2) for the density level of employer associations underscores that the associations' ability to cope with economic change and maintain their membership strength strongly depends on external conditions. Put more specifically, the fate of employer associations is closely linked to the fate of multi-employer bargaining to which extension practices are referring. It is no mere coincidence that employer associations have seen the strongest erosion of membership in those two countries where single-employer bargaining replaced multi-

employer bargaining as the prevalent type of collective bargaining: In the UK, sectoral employer associations have withered away; density of New Zealand's NZEF fell from 90 % in terms of employees in 1991 to 67 % in 1998.

Multi-employer bargaining is the core function of employer associations not only when it comes to integrating members. It is also the key to the associations' role in public policy. As evidence from crossnational research shows, the range of participatory rights of both employer associations and unions in the course of public-policy making is significantly higher when multi-employer bargaining prevails in a country's industrial relations, as compared to predominance of single-employer bargaining (Traxler 2000b). The reason for this lies in the fact that – in stark contrast to single-employer bargaining – multi-employer bargaining is so important in macroeconomic terms that there is a strong incentive for the state to seek cooperation with organized business and labour. Thus, if multi-employer bargaining fades away, then employer associations run the risk of suffering the same fate.

Owing to supportive labour law, this risk has been contained so far in most countries by means of organized decentralization. Since organized approaches to bargaining decentralization are devised to maintain the ability of multi-employer settlements to control the decentralization, they have been another factor stabilizing employer associations, aside from their functional and structural adjustments.

However, the effectiveness of these adjustment strategies remains ambivalent. When solving problems in the short term, they may generate even more problems in the long run. Above all, employer associations may face a double dilemma in the future. First, many of the ongoing adjustments, namely the cuts in staff and services serve the interests of large companies more than the interests of their smaller counterparts which more strongly need individual support from their association. Hence, employer associations may face growing difficulties in integrating *small and medium-sized* enterprises. This, in turn, challenges their representativeness as the voice of business. Second, decentralization tendencies may become so overwhelming that multi-employer bargaining loses control over this process and fades away. This would induce the *larger* companies to leave the employer associations as well as undermine the associations' macroeconomic importance and relevance for public policy-making.

Appendix: operationalization of variables

DEP1	Dependent employment, except for Germany (West Germany only).
EAP	Associational (employer) participation in state regulation (non-wage issues): aggregate index of activities listed below. Each generalized activity counts as 11; each specialized activity counts as 1. The scale is standardized to the interval 0–1.
	<u>General activities</u>
	- Influences national government or parliamentary bodies with regard to labour-market issues
	- Represents members' labour-market interests on national corporatist institutions
	<u>Specialized activities</u>
	Participation in the formulation of:
	- Industrial policy programs
	- Regional development programs
	- Public occupational programs (including apprenticeship) and active labour-market policy

- Research and development programs
 - Quality control programs and/or standardization of products
- Implements or participates in implementation of:
- Industrial policy programs
 - Regional development programs
 - Public occupational programs (including apprenticeship) and active labour-market policy
 - Research and development programs
 - Quality control programs and/or standardization of products
- ECENF** Associational centralization: control of employer organizations over member firms under the umbrella of the largest peak. Formal control over member firms decreases when they are entitled to (1) obtain the status of a ‘non-conforming’ member generally not subject to collective agreements signed by the association; (2) conduct separate negotiations on its own when a collective agreement by the association is not in line with the firm’s interest; (3) autonomously organize industrial action; (4) pay its employees more than the amount fixed by the collective agreement signed by the association. Aggregate index of items 1–4 each coded yes = –1, no = 0. Reference is to the most common pattern or the most influential affiliate in the case of intra-confederal variation.
- ESYS** Interassociational fragmentation/concentration: number of national, cross-sectoral employer peak organizations covering at least two complete one-digit ISIC sectors.
- EXTP** Practice of extending multi-employer agreements to employers unaffiliated to the bargaining units, measured as the percentage of private-sector employees exclusively covered by extension. 1 = no notable extension practice, 2 = moderate practice (i.e. 5-25 % of all private-sector employees covered), 3 = pervasive practice.
- EXTPD** Dichotomization of EXTP (see above):
0 = if EXTP is 1;
1 = if EXTP is 2 or 3
- FDI** Foreign direct investment (inward and outward) as a percentage of nominal GDP in US Dollars.
- LED** Density of the largest employer peak: percentage of employees organized by the peak within its domain, except for Germany (West Germany only).
- MAN1** Share of employees in manufacturing in the total number of employees., except for Germany (West Germany only).
- OPEN1** Foreign trade dependence (sum of exports and imports) as a percentage of GDP, except for Germany (West Germany only).
- UD1** Union density: gross or net density as defined and listed in Traxler et al. (2001) (gross density for Ireland, Japan and Switzerland; net density for the other countries).
- Data source: DEP1: OECD, *Economic Outlook*; FDI: IMF, *Balance of Payment Statistics Yearbook*; MAN1: OECD, *Labour Force Statistics*; OPEN1: OECD, *National Accounts*; all other variables: Traxler et al. (2001).

Abbreviations

a. Country Codes

A	Austria	AUS	Australia	B	Belgium
CDN	Canada	CH	Switzerland	D	Germany
DK	Denmark	E	Spain	FIN	Finland
F	France	GB	Great Britain	IRL	Ireland
I	Italy	JP	Japan	NL	Netherlands
N	Norway	NZ	New Zealand	P	Portugal
S	Sweden	UK	United Kingdom	USA	United States of America

b. Associations

ACCI	Australian Chamber of Commerce and Industry
BDA	Bundesvereinigung der Deutschen Arbeitgeberverbände
C	Confindustria
CAI	Confederation of Australian Industry
CBI	Confederation of British Industry
CEOE	Confederación Española de Organizaciones Empresariales
CIP	Confederação da Indústria Portuguesa
CNPF	Conseil National du Patronat Français
DA	Dansk Arbejdsgiverforening
FIE	Federation of Irish Employers
FUE	Federated Union of Employers
IBEC	Irish Business and Employers' Confederation
NAF	Norges Arbejdsgiverforening
NHO	Næringslivets Hovedorganisasjon
NZEF	New Zealand Employers' Federation
SAF	Svenska Arbetsgivareföreningen
SAV	Schweizerischer Arbeitgeberverband
STK	Suomen Työntantajain Keskusliitto
TT	Teollisuus ja Työntajat
VBO/FEB	Verband van Belgische Ondernemingen – Fédération des Entreprises Belgique
VNO	Verbond van Nederlandse Ondernemingen
VNO-NCW	Vereniging van Nederlandse Ondernemers – Nederlands Christelijke Werkgeversverbond
WKÖ	Wirtschaftskammer Österreich
ZSAO	Zentralverband Schweizerischer Arbeitgeber-Organisationen

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