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ECONOMIC CHANGE AND ITS IMPACT ON EMPLOYER ASSOCIATIONS:
A CROSSNATIONAL COMPARISON

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INTRODUCTION

Since more than a decade a multiplicity of economic developments have 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 terms of production systems, work organization, the sectoral and occupational structure of the economy, macroeconomic policy etc. It is commonly assumed that the direction of all these changes is detrimental to the collective actors in industrial relations (i.e. the unions and employer associations). This detrimental effect is most evident in the case of the internationalization markets 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 ever-growing spread of internationalized market relations 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 to which economic internationalization both expands and intensifies market competition, it thus threatens to erode the individual actors' propensity to associate.

While these processes challenge any type of collective actor in industrial relations, there is good reason to assume that employer associations are especially hit. This follows from their special kind of constituency. The companies as the potential members of employer associations are much more empowered than any other actor in society to respond to economic change individually and autonomously from support from collective action. Moreover, 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 companies are superior to any other actor in terms of their capacity for cross-border mobility. This capacity of the companies for cross-border mobility and their transnational presence in markets threaten to devalue the benefits of associations whose scope of activities is always confined in territorial terms. For obvious reasons, large firms have a higher capacity for transnational mobility than small firms. At the same time, large firms have significantly been more willing to associate than their smaller counterparts, as evidence from crossnational studies shows (Traxler 1995). As a consequence, economic internationalization probably increases the associations' difficulties in integrating precisely that group which has been their stronghold so far.

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 internationalization makes employers less important as a means of advancing employer interests, such that the subjectively perceived costs of membership tend to exceed its benefits, then affiliated employers are likely to leave and newly established companies will probably not join.

This paper thus concentrates on the effect of economic change on the membership of employer associations, with special emphasis being placed on the effect of economic internationalization. This analysis will be done on the basis of a quantitative, crossnational comparison that includes 20 OECD countries (see Table 1). Membership is measured as associational density (i.e. the ratio of actual to potential members).

In accordance with the argument outlined above, the direction of economic change in general and economic internationalization in particular is expected to undermine member support. This means that quantitative analysis should show a statistically negative impact of internationalization on density. It should, however, be noted that there is an alternative hypothesis, pointing to the strength of (non-market) institutions that embed associational action. Accordingly, institutions can defy competitive pressures due to market imperfections (North 1990). As regards our problem in question, this implies that associations may be able to maintain member support despite growing market internationalization, provided that they are backed by strong institutions that help overcome their collective action problems (Traxler *et al.* 2001). We will thus test a convergence thesis (predicting a general and inevitable decline in member support as a consequence of economic change) against a path-dependency thesis (expecting continued diversity of density due to differences in embedding institutions).

The focus of this empirical study will be national employer organizations. Employer organizations are understood as associations aimed at representing labor market interests, in contrast to interests business has in other markets. This category includes “pure” employer associations (specialized exclusively in labor market interests) and “mixed” associations (organizing both labor market interests and other business interests).

For two main reasons, one can assume that national employer organizations are especially vulnerable to the disorganizing forces of market internationalization. First, economic internationalization most strongly challenges associations whose activities are limited to the nation state. Second, economic internationalization should fuel the worldwide attempts of employers to decentralize and/or deregulate industrial relations and to re-integrate them into the realm of the firm. Since these tendencies significantly curtail the role of employer organizations in industrial relations, their relevance for business may become increasingly dubious.

The remaining sections of this paper are organized as follows. First, the convergence thesis and the path-dependency thesis are specified and operationalized. The next section then presents the data and empirical findings of the quantitative analysis. This is followed by an overview of how the associations have responded to the challenge posed by the changes in their economic environment. The paper concludes by discussing the implications these findings have for the future of organized industrial relations.

HYPOTHESES AND MEASURES

While there is a huge body of studies in union density, comparable analysis of employer density is rare. The following hypotheses thus draw from general 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).

When reviewing this literature, one finds two clusters of possible determinants of employer density. The first cluster refers to the economic context of employers' actions. Economic internationalization belongs to this cluster. As argued above, our guiding hypothesis is that economic internationalization significantly damages employer density. The key arenas of internationalization are 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.

In addition to internationalization, there are two other properties of the economic context which presumably affect the tendency to associate. One factor is the sectoral composition of the economy. In analogy to the situation of the unions (Visser 1991), manufacturing is likely to be the stronghold of employer associations, whereas employer density may be rather low in 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 the sectoral composition of an economy, its sheer size is likely to influence density. Generally, growing group size affects collective action negatively (Olson 1965). Moreover, the strategy of maximizing

membership may be less rational in large countries than in small ones, seen from the associations' perspective (Wallerstein 1989). This is because 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, they will hardly 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 employers' institutional context represents the second cluster of factors. They are at the center of the path-dependency thesis. The related question is to identify those institutions which can contribute to solving the recruitment problems of employer associations. In this respect, two categories of institutions are of utmost importance: the organizational structure of employer associations and mechanisms providing selective incentives for their members.

As far as the organizational structures are concerned, employer associations can attract potential members by tailoring their structures as closely to their members' immediate interests as possible. This involves an association's domain demarcation and its decision-making procedures. The demarcation of domain defines the range of interests covered by an association. Encompassing domains make associations 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 of 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 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 on organizational structures is that employer density increases with interassociational fragmentation (i.e. narrowly defined interest domains, indicated by a large number of associations) and with intra-associational decentralization.

Regardless of this, employer associations cannot simply narrow down their domains and decentralize for the sake of member recruitment, since such logic of membership conflicts with the logic of influence (Schmitter and Streeck 1981). In the labor market, an association's capacity for strategic action depends on how many labor-market segments it controls, compared to its

counterpart (Müller-Jentsch 1988). Controlling less segments creates the risk of being played off against one another by the strategically superior counterpart. In contrast to the logic of membership, these strategic imperatives reward building encompassing and centralized structures. When balancing these contradictory requirements, employer associations may well arrive at distinct solutions across countries that are contingent on circumstances (e.g. union structures) (Traxler *et al.* 2001).

Selective incentives reward members and/or punish non-members. In principle, any associational service offered exclusively to members can work as a selective incentive for membership. In practise however, services may also be collective goods (from which non-members benefit as well) or a mixture of selective and collective goods. A case in point is the associational representation of members in labor court proceedings. The representation of the particular member involved is certainly a selective good. However, a favorable court decision on this particular case that is of general importance and thus predetermines the outcome of similar labor disputes is a collective good. Therefore, an empirical study of selective incentives would require in-depth analysis of each single activity, 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 procedure 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. Accordingly, we assume that density increases 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 presumably foster the employers' propensity to associate because protection against labor's collective action is one *raison d'être* of employer associations. Another selective incentive is based on 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).

Finally, we have to operationalize the dependent variable: employer density. This can be done in two ways, 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. We confine our considerations to a country's principal (i.e. largest) employer peak organization. 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. This domain is always cross-sectoral and covers the entire private sector in most cases. In line with this operationalization, all of the above associational measures but interassociational fragmentation (ESYS) refer to the principal employer peak. For a detailed operationalization of these economic and institutional measures, see the Appendix.

DATA AND FINDINGS

Due to 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 and a simple longitudinal approach, focusing on two periods (i.e. 1986-1990 and 1994-1996). For brevity, descriptive statistics are presented here only for the dependent variable, that is, density (Table 1).

[Table 1 about here]

Employers are particularly well organized in Austria, where density is 100%. This is because all firms in the WKÖ's domain are legally required to be members. Although the WKÖ is the only principal employer peak relying on obligatory membership, informal mechanisms of compulsory member recruitment combine with formally voluntary membership in several other countries.

For instance, compulsory payment of dues, which comes closest to compulsory membership, is institutionalized at the sectoral level in Belgium and The Netherlands. 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). A similar arrangement exists in the Dutch construction industry. About 95% of the staff working on behalf of the sector's employer organization is financed out of a fund created under a clause in the collective agreement, requiring that every firm in the sector pay a certain sum per worker (Van Waarden 1995). In both cases, the employer associations—in cooperation with their union counterparts—are able to impose levies on non-members via legally

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

Apart from Austria, the principal peaks of Australia, New Zealand, (West)Germany, France, Belgium, The Netherlands, and Spain record high density levels of more than 70%. Until the 1990s, *Confindustria* also belonged to this group. The subsequent decline in density does not indicate an absolute loss of membership (which continuously grew from 2.8 million in 1970 to 4.12 million in 1996) but ensues from an extension of its domain since 1991 from manufacturing to services. While this has broadened *Confindustria*'s potential membership, the level of actual membership in the new domain still lags behind that of manufacturing. In contrast to what one might expect, employer density is not outstanding in the Nordic countries. Two factors (that will prove essential to density according to the analysis below) mainly account for this situation: extension practices do not exist in these countries but 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 has to do with 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. In the USA, employer organizations are also absent below peak level. In Canada, employer associations are established in a few sectors and differ considerably in their role across the distinct provincial jurisdictions.

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 about here]

Most essentially, none of the two measures of economic internationalization has the expected relationship with density. Foreign trade dependence is almost completely irrelevant. Foreign direct investment 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 internationalization does not undermine employer solidarity as demarcated by national boundaries. The effect of manufacturing 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 shows a clear effect in line with the above assumptions.

Although these findings indicate that economic change does not substantially affect employer density, they do not provide compelling evidence on this question due to the cross-sectional approach underlying this analysis. In principle, this approach may conceal a clearly detrimental effect of economic change, if employer density proportionately declines in response to this change in all countries under examination (Figure 1). Hence, we adopt a longitudinal design by using the scale of economic change from 1986 to 1996 as a predictor for the change in density during this period. This multivariate analysis includes a dummy for Italy since this is a special case due to the extension of Confindustria's domain during the period under consideration (see above).

[Figure 1 about here]

The main results of this analysis (Table 3) are in line with those from the bivariate correlations (Table 2) in that none of the economic variables exerts a significantly negative impact on density. While the effect of the changes in FDI as well as the size of manufacturing remain insignificant, employer density even tends to increase significantly with growing foreign trade dependence in stark contrast to the hypothesis. Since OPEN1 strongly correlates with DEP1¹, one may doubt that there is actually a causal relationship between foreign trade dependence and employer density. It is more reasonable to assume that the observed relationship between these two variables stands for the positive effect of small country size on density in accordance with what was outlined above (see also Table 1).

[Table 3 about here]

At any rate, all these findings suggest that economic change does not seriously challenge the capacity of employer associations for attracting members. This capacity is much more contingent on institutional factors (especially extension practices). As Table 2 shows, all institutional factors but two are correlated with density in the expected way.² The two exceptions are associational participation in public policy and union density. As its negative relationship with density reveals, associational participation works primarily as a collective good from which selective incentives cannot systematically be extracted. The irrelevance of union density is amazing. The explanation for this finding is 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, state-sponsored unemployment schemes (Ebbinghaus and 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 is an important factor of the employees' clearly higher 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 pointless for association. This is exemplified by the CBI. It has lost most of its profile as an employer association but has largely retained its density over time. 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 activities as a trade association dealing with product-market interests.

As a consequence, one can expect union density to affect 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 problems. Above all, any differentiation between mixed and pure employer peaks is insufficient in this context, because many affiliates—even of pure employer peaks—are mixed. This explains why mixed and pure employer peaks hardly differ in their level of membership, with an average density of 54.1 and 57.7%, respectively (most recent data).

There is evidence that the product market is more important than the labor market as a reason to associate. Cross-national comparison at the sectoral level shows that the domains of pure employer associations are significantly broader than those of pure sectoral trade associations (Traxler 1993). As the above analysis has shown, employer density significantly decreases with associational concentration. This in turn suggests that the density of pure sectoral employer associations is notably lower than that of their trade counterparts. However, since it is impossible to disentangle the impact of labor- and product-market interests on membership in mixed associations, we must disregard the functional differentiation of employer associations. 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). Comparison of the density of employers and unions corroborates a positive correlation ($r_{LED/UD} = 0.34$ [$n = 7, 1994-1996$]).

To capture this finding for the multivariate analysis, we construct a dummy variable (NGNE) that discriminates between the countries having neither a union-led unemployment scheme nor extension practices and the other countries. Taking into account that centralization does not matter in the case of the USA and Canada, the mean for ECENF was assigned to these countries; and a dummy variable (USCDN) was introduced to control for the distinction between these two countries and the others. Again, a dummy for the special case of Italy is included. Table 4 presents the most powerful multivariate model for both reference periods.

[Table 4 about here]

Although manufacturing contributes to the explanatory power of the model, there is no consistent effect of this variable. In combination with the differing number of countries entering the models for the two periods, this inconsistency probably emanates from how the principal peak organizations themselves and other, smaller associations relate their domain to manufacturing.

Among the institutional variables, inter-associational concentration (ESYS) is the only variable the impact of which is not significant, albeit showing the expected sign. This impact is washed out mainly by introducing the dummy variable for Italy, as this country records an extremely low level of interassociational concentration, with 10 cross-sectoral employer peak associations in 1994-96, as compared to an average of 2.2 peaks for the 17 relevant countries.³ Regardless of this, employer density is predominantly shaped by its institutional context. The dampening effect on density of inter-associational centralization (ECENF) – as well as of associational participation in public policy (EAP) (Table 2) – reveals that employer organizations do face the dilemma of a conflict between the logics of influence and membership: while the capacity for strategically exerted influence increases with centralization and public policy functions, the members tend to prefer associations that are decentralized and not incorporated in public responsibilities. The impact of union density and extension practices as captured by NGNE indicates the relevance of engagement of employer organizations in labor relations in general and collective bargaining in particular. What the multivariate analysis also adds to the bivariate analysis is the importance of differentiating the USA and Canada from the other countries. In fact, this variable (USCDN) is a very powerful predictor. Since USCDN represents the fact that employer peaks are absent in the USA and Canada, in contrast to the other countries, it refers to a crucial analytical distinction: the *need* and the *ability* to associate. American employers obviously feel no need to associate, implying that the ability to overcome the collective-action problem recedes into the background.

THE ASSOCIATIONAL RESPONSES TO THE CHALLENGE OF ECONOMIC CHANGE

In contrast to what one may expect, membership of employer associations has not been seriously affected by the pressures of market internationalization and economic change. This finding does not mean that there is not any effect of economic developments at all. Rather, employer associations have been able to adjust themselves in a way that has offset the potentially detrimental effects 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. Generally, this loss of 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 counterbalance 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 of 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 adopted 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 favor 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 the national peak employer associations to re-orient their profile as the general voice of employers 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 and 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 illustrates that under the given financial constraints imposed on employer associations selective incentives can be extended only when 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 only 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 and during the time period under consideration Denmark, Ireland, Norway and Portugal 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).

When based on a merger, then the greater emphasis on product market interests is not only a case of functional adjustment but also of structural adaptation. Mergers of any kind (including mergers of narrow employer associations to form more encompassing units) are a means of curbing costs and economizing on resources. 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. It should be noted, however, that the incidence of mergers varies widely across countries. They were most widespread 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). Country reports suggest that lowering membership dues has dominated the associations' structural efforts to maintain their ability to attract members. For instance, DA's resources have been cut by half in the wake of dues reductions (Due *et al.* 1997:117). 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 2000, Austria's WKÖ decided to reduce the dues by 30 %. These cuts usually needed to be flanked by internal rationalization programs aimed at establishing 'leaner' structures, implementing cuts in services and/ or making free services payable.

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 internationalization is not recourse to "exit" but to "voice" in the sense of attempts to modernize their associations. Put more specifically, it has 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.

Overall, the above review of adjustments to the changed economic context suggests that the employer associations have managed to cope with economic change without incurring significant membership losses by accommodating especially to their core membership: large companies.⁴

CONCLUSIONS

Despite economic changes detrimental to collective action employer associations have been able to adjust themselves 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 association 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 in that they mainly account for the rather high levels of density in terms of employees characterizing most employer 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. One may infer from this that employer associations have been weakened as a voice of business. Such conclusion, however, would mean an over-generalization. Employer associations have become weaker only 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. It is worth emphasizing that these adjustments do not translate into a corresponding weakness of either employer associations or employers in relation to their labor counterpart. This is because the structural (i.e. pre-associational) power asymmetry that works in favor of employers in the labor market (Offe 1985) in combination with still high unemployment rates more than offsets this associational weakness. Paradoxically, this weakness even tends to become converted into a strategic advantage in negotiations of employers associations with unions in a context of multi-

employer bargaining, 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 underpins 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 an erosion of membership only 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 labor.

The upshot is that there is a critical threshold set to employer associations when it comes to adjustment strategies curtailing their traditional role in industrial relations: that is, the decay of multi-employer bargaining as the prevalent type of collective settlements. If multi-employer bargaining fades away, then employer associations run the risk of suffering the same fate.

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

* 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).

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.

Table 3 The determinants of change in employer density (DLED)

	Change from 1980-90 to 1994-96 (DLED)
DMAN1	0.57 [1.27]
DFDI	-2.25 [-1.39]
DOPEN1	0.20* [1.72]
ITALY	-47.24*** [-15.15]
Constant	3.41 [1.62]
R ²	0.91
N	15

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

Entries are OLS-coefficients; t-statistics in square brackets based on White's heteroskedasticity-robust standard errors.

D indicating the difference in the score of variables between the periods from 1986-90 to 1994-96.

Austria omitted.

For variable definitions, see Appendix.

Table 4 The determinants of the level of employer density (LED)

	1986-90	1994-96
MAN1	0.38 [0.49]	-1.20 [-1.10]
ECENF	-8.50*** [-2.92]	-10.76*** [-5.09]
ESYS	1.05 [0.20]	3.80 [0.88]
USCDN	-26.73** [-2.36]	-32.95*** [-3.56]
NGNE	-30.53*** [-3.09]	-28.25*** [-5.80]
ITALY	50.14 [0.90]	-2.85 [-0.07]
Constant	30.60 [1.45]	55.02** [2.06]
R ²	0.78	0.80
N	15	19

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

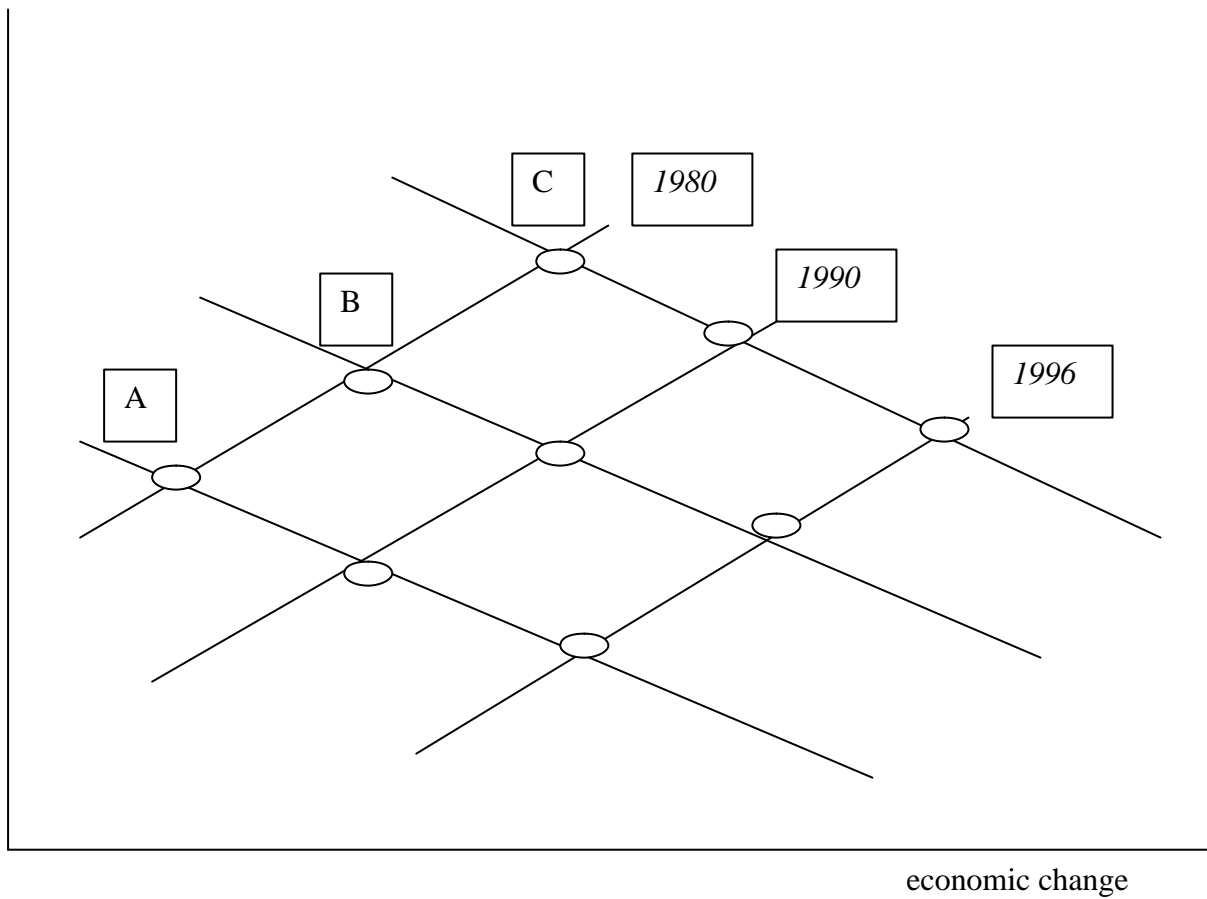
Entries are OLS-coefficients in period-specific cross-section models; t-statistics in square brackets based on White's heteroskedasticity-robust standard errors.

USA and CDN: values for ECENF set to overall mean and controlled for by a dummy variable (USCDN); Austria omitted

For variable definitions, see Appendix.

Figure 1 Employer density as a function of economic change

density



NOTES

- ¹ For both 1986-90 and 1994-96 this correlation is $r = -0.55$ (all countries listed in Table 1).
- ² To investigate the effect of centralization (ECENF) and associational participation (EAP) 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. Likewise, these countries must be omitted when studying the impact of fragmentation/concentration (ESYS) since the absence of any employer peak is beyond this analytical dimension.
- ³ Austria, Canada and the USA are omitted here for the above reasons.
- ⁴ Hence, the relative stability of density in terms of employees may conceal larger changes in terms of companies organized. A case in point is the German employer association for the metal industry, Gesamtmetall, which records a slight increase in employees covered from 63.3 % in 1993 to 64.8 % in 1998 for West Germany, while the corresponding figure on the companies organized decreased from 44.0 % to 34.1 % over this period (Hassel 2002).

APPENDIX: OPERATIONALIZATION OF VARIABLES

- DEPI** 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.
- General activities
- Influences national government or parliamentary bodies with regard to labor-market issues
 - Represents members' labor-market interests on national corporatist institutions
- Specialized activities
- Participation in the formulation of:
- Industrial policy programs
 - Regional development programs
 - Public occupational programs (including apprenticeship) and active labor-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 labor-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.
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).
NGNE	1 = countries, where neither union-led unemployment schemes nor extension practices exist; 0 = other countries.
OPEN1	Foreign trade dependence (sum of exports and imports) as a percentage of GDP, except for Germany (West Germany only).
UDI	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).
USCDN	1 = US, CDN 0 = 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 Työntajain 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 Werksgeversverbond
WKÖ	Wirtschaftskammer Österreich
ZSAO	Zentralverband Schweizerischer Arbeitgeber-Organisationen

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