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Transnational strategies of trade unions towards European wage bargaining coordination

A neo-institutional approach to evolving organisational fields of European wage policy

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This working paper adopts sociological Neo-Institutionalism to devise a theoretical framework of *trade union strategies* in the context of international and European wage competition, European Monetary Union and the recent economic crisis. The main focus is on trade unions' contributions, i.e. *institutional work*, to the creation and maintenance of industrial relations institutions of wage bargaining coordination at European level, and hence, on the possible emergence of an *organisational field* of European wage policy. In empirical terms the paper takes a longitudinal perspective on the development of cross-national wage bargaining coordination in the metalworking sector as an extreme case. The paper concludes that normative and cultural-cognitive institutions have contributed to the ability and willingness of trade unions to engage in the creation and maintenance of transnational wage related institutions (such as bargaining guidelines) and hence, *horizontal Europeanization*. However, two research outcomes deserve particular mention: 1) Rising levels of international and European (wage) competition did not *per se* result in an increase in cross-border cooperation of trade unions. In both time periods investigated, i.e. trade union initiatives in the early 1970s (*DACH-initiative* and *Nordiska Metal*) and transnational bargaining coordination initiatives since the 1990, union strategies did *NOT* follow functional requirements. Rather, a minimum level of institutional support (such as by the European Works Council Directive) is necessary to open up room for manoeuvre to 'institutional entrepreneurs' who are willing and able to act transnationally. 2) Although MNCs appear to be still reluctant to enter bilateral wage bargaining coordination at transnational level, there is some empirical evidence that existing regulative, normative and cultural-cognitive pressures in combination with structural conditions (labour shortage in particular occupations/professions) induce business to cooperate with unions in particular sections of the economy.

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1 Introduction¹

European economic integration, the Single Market and Economic and Monetary Union (EMU) in particular, pose considerable challenges to trade unions. While the main power resources of labour unions are still provided within national systems of industrial relations, such as union membership, labour market institutions and state support (free collective bargaining, mechanisms for the extension of collective agreements i.e. *erga omnes* clauses, etc.), employers display a high level of transnational mobility and hence, capacity for regime shopping. Some authors have therefore argued that the process of Europeanisation inevitably strengthens the position of employers *vis-à-vis* trade unions (e.g. Streeck 1998; Scharpf 2010).

In response to increasing competitive pressures on wages and labour standards national and European trade unions have contributed to the development of a European system of industrial relations since the early 1990s (Keller and Platzer 2003, Marginson and Sisson 2006, Traxler et al. 2008, Glassner 2009). In terms of vertical – top-down – integration, the 1991 agreed Social Protocol attached to the Maastricht Treaty enabled the social partners to directly participate in Community social legislation via European social dialogue at the inter-professional and industry level. However, since wage bargaining remained (and still remains!) outside the purview of EU legislation, national trade unions developed cross-border bargaining coordination initiatives and established horizontal-networks in a number of countries. In the wake of EMU, early forms of transnational bargaining coordination aiming to combat competitive downward pressure on wage developments were organised as bottom-up cooperation between national unions in neighbouring countries, such as the Doorn-initiative (Benelux countries and Germany) (Gollbach and Schulten 2000, Marginson and Sisson 2006). At a later stage the European Trade Union Confederation (ETUC) and its European Trade Union Federations (ETUFs) have institutionalised particular activities and norms for the coordination of collective bargaining (e.g. information exchange, bargaining rules) at the European level (Schulten 2003, Marginson and Sisson 2006: 98). These institutions have provided key mechanisms to guide trade union bargaining at national levels as well as power resources that can be used by national and European unions to address economic and political challenges at the European level.

These challenges have recently been exacerbated by European policy responses to the current financial crisis. Given the lack in adequate power sources of unions at the European level, recent European economic policy initiatives aiming to tackle the budgetary crises of some member countries (for example Greece, Ireland, Spain, Italy) might even further weaken national trade unions. The European Commission (e.g. 2010a, 2010b, 2010c, 2011) published six proposals which make up the economic governance package, emphasising the importance of wage setting mechanisms that allow for ‘competitive wages’ and proposing indicators (so called ‘scoreboard’) to safeguard this aim (by evaluating wage indexation mechanisms, decentralising bargaining, decreasing wages in the public sector, etc.). Finally, in March 2011 a majority in the European Council (the 17 Euro and six non-Euro member countries) endorsed a pact on competitiveness,

¹ This Working Paper draws on results of an ongoing research project within the Research Group ‘Horizontal Europeanisation’, financed by the German Research Foundation. For further information follow this link : www.jku.at/soz/content/e94924/e98436/index_html?team_view=section&t=2&emp=e98436/employe_groups_wiss98437/employees98438. We would like to express our gratitude to Susanne Kaufmann, Torben Krings, Margit Mayr, Edeltraud Ranftl and Sandra Stern for their helpful comments on an earlier draft of this paper.

now renamed under the title Euro Plus Pact, resulting in a reinforcement of fiscal austerity policies and an increase in competitive wage pressures. In February 2012, the European Council adopted the above mentioned scoreboard to tackle macro-economic imbalances.

From the point of view of sociological neo-institutionalism (Meyer and Rowan 1977; DiMaggio and Powell 1983, DiMaggio 1988; Powell and DiMaggio 1991, Lawrence et al. 2009), distinct populations of actors have tried to influence the material and symbolic outcomes in emerging field(s) of industrial relations at European level (European wage policy fields). Two populations of organisations, supranational policy actors as well as trade unions have intended to create institutions at European level that lead to a *convergence* of national bargaining processes and outcomes. However, they differ in terms of their institutional power as well as normative objectives and perspectives. The EU Commission (and later, the European Council) has recently aimed to strengthen the wages-productivity ratio by pursuing two institutional strategies, in particular, towards member countries which are hit by a worsening of their international (labour cost) competitiveness: 1) to impose coercive rules such as removing wage indexing mechanisms to prevent macroeconomic imbalances i.e. *coercive isomorphism* and 2) to disrupt existing national institutions of multi-employer wage bargaining to unleashing market forces that may lead to *competitive isomorphism*² (DiMaggio and Powell 1983: 149). In contrast, national and European trade unions have established and maintained European institutions (cross-border bargaining coordination rules and regular information exchange) and provided the basis for institutional pressures on national actors of industrial relations that might result in *normative isomorphism*. By adopting common bargaining targets formalised in coordination rules and formal standards national trade unions are expected to negotiate 'fair' and 'appropriate' wage bargaining aims³. Because these standards are unilateral (union-based) and formally non-binding, Traxler et al. (2008: 222 and 232) argue that they can hardly be effective without being buttressed by a mechanism of latent coordination, i.e. pattern-bargaining. Here, a key bargaining unit sets the pace for wage increases in other areas of the economy. Besides particular structural configurations (such as a tight monetary regime, restrictive macro-economic demand policies, multi-employer bargaining and elaborate participation of organised business and labour in public policy making), pattern bargaining is supposed to rest on imitation, benchmarking and social learning which entail 'uncoordinated' convergence (Traxler et al. 2001), or *mimetic isomorphism* (DiMaggio and Powell 1983: 151).

Given the large and persistent socio-economic differences in the EU-27, in the Euro-zone and even within economic sectors, one might argue that neither economic nor institutional pressures have contributed to convergence or isomorphism in terms of bargaining structures and outcomes (i.e. the harmonisation of wage growth in line with price and productivity increases). Hence, the question remains whether organisational fields of European wage policy exist at all? By *organisational field* DiMaggio and Powell (1983: 148) refer to 'organisations that, in the

² Isomorphism is a concept that captures the process of homogenisation. According to Haley (1968, cited in DiMaggio and Powell 1983: 149), '...isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions'.

³ In contrast to the 1998 concluded 'bargaining rule' of the European Metalworker Federation (EMF) identifying inflation and a 'balanced participation in productivity growth' as key reference for national unions, an earlier statement of EMF on bargaining principles which was formulated in response to the approach of EMU in 1993, also included 'redistribution' as an explicit goal of bargaining (Gollbach and Schulten 2000; Traxler et al. 2008: 226).

aggregate, constitute a recognised area of institutional life'. A field include any actor or player that imposes a coercive, normative, or cognitive influence on a given focal organisation or population of organisations (Scott 2008). In the initial stage of their existence, organisational fields are conceived as exhibiting diversity, whereas once a field becomes established, there is an inexorable push towards homogenisation (DiMaggio and Powell 1983: 148)⁴. This is because organisations in highly institutionalised environments are seeking to conform with these environments in order to gain the legitimacy and resources needed to survive (Meyer and Rowan 1977: 352). Moreover, organisational fields are to be perceived as sub-components of wider societal systems that provide distinct cultural and material frameworks.

However, industrial relations organisations face particular structural obstacles that impede the formation of organisational fields, at least in the sense that fields develop towards homogenous (i.e. isomorphic) structures and processes. Rather, industrial relations at all levels are characterised by a structural power asymmetry between labour and business, two key populations of actors. Moreover, in contrast to trade unions, employers are still reluctant to negotiate wages at transnational level. Only in very particular circumstances, we can expect these organisations to converge in terms of their structures and belief systems. The greater the extent of mutual dependency between core populations of organisations the higher the level of isomorphism (DiMaggio and Powell 1983). Multi-bargaining systems in *Fordist* production regimes served as an example where employers were primarily dependent on domestic markets to sell their products and services and hence, on the purchasing power of labour. The Austrian industrial relations system still exhibits such a configuration, where labour, business and the state share a strong belief in social partnership and free collective bargaining to secure both, economic growth and social peace. Labour and business associations exhibit a high level of centralisation and wage bargaining is characterised by decentralised but coordinated mechanisms of pattern bargaining (Traxler 1998: 241).

At transnational level, however, competing institutions lie between and also within populations of industrial relations organisations (Hoffman 1999: 352). Thus, in order to fully appreciate the complexity of institutional dynamics, we must analyse both, the specific institutions that lie at the centre of (emerging) European fields of industrial relations and the competing institutions that lie between and within field populations. With regard to our focus organisations, trade unions, one must also distinguish between trade unions in distinct sectors and countries. While most of national unions share a common interest in preventing 'social dumping' by the means of cross-border bargaining coordination, they differ in terms of their bargaining powers and particular, often short term, national interests. Trade unions in large countries that take the role of pattern setters in some sectors (such as the IG Metall in Germany) are more vulnerable to downward competitive bargaining than pattern takers in small countries that may free ride to a limited extent at the costs of their large counterparts (Traxler et al. 2008: 221). In sectors displaying a high intra-industry substitutability of products and locations along the international production chain (such as the automobile industry), competitive pressure may lead to a

⁴ In contrast to the concept of competitive isomorphism in fields where free and open competition exists, DiMaggio and Powell (1983: 150–154) distinguish between three forms of pressure which produce institutional isomorphism, i.e. the spread of structural similarity: 1. *coercive* pressure (stems from political influence and the problem of legitimacy), 2. *mimetic* pressure (resulting from standard responses to uncertainty) and 3. *normative* pressure (associated with professionalisation).

situation in which unions in lower wage countries pursue a strategy of ‘competitive corporatism’ which entails undercutting their competitors in higher wage countries. In an extreme case, this highly ambivalent relationship between national and transnational coordination results in a situation where transnational coordination is reduced to symbolic politics or, in neo-institutional terms, elements of European structures are decoupled from national activities for the sake of legitimacy (Meyer and Rowan 1977). In this case, transnational coordination will constantly be crowded out by forms of coordination tied to national interests (Traxler 2003: 105), while at the same time national unions still articulate their support to a European system of industrial relations. However, it is still unresolved under what particular conditions national trade unions choose between different strategic options.

So far, there exists hardly any theoretically based concept of the determinants of *trade unions strategies in transnational European contexts* (for empirical accounts, see Erne 2008, Gajewska 2009, Glassner and Pochet 2011). Trade unions are rather conceived as tightly bound to structures indicating a ‘symbiotic relationship’ between actors and established structures (Traxler 2003: 104). The article questions this line of reasoning and argues that there is *room for strategic manoeuvre* of trade unions. **The article seeks to provide an explanatory model of (institutional) strategies of trade unions within (emerging) fields of transnational industrial relations.** In empirical terms we take a longitudinal perspective on the development of cross-national institutions of wage policy in the metalworking sector⁵ as an ‘extreme case’ (Ebbinghaus 2006: 394). The metal sector exhibits a high level of product market integration at international level, considerable trade union power, and holds a strong position as pattern setter in the multi-employer bargaining systems⁶ of most Western European countries. We expected that the history of European industrial relations in the metal sector would be richer and institutionally more developed than those in other industries, making it an ideal candidate for study. As such, the investigation of the metal industry is expected to contribute to our understanding of opportunities and constraints of trade union (institutional) strategies at European level, and hence potential trajectories of both, horizontal Europeanisation or (Re-)Nationalisation of trade union strategies.

In employing neo-institutional accounts (DiMaggio and Powell 1983; DiMaggio 1988; Oliver 1991; Beckert 1999; Lawrence and Suddaby 2006; Lawrence et al. 2009; etc.), the article discusses trade unions’ contributions to the emergence of industrial relations institutions of wage policy at European level that in turn might support or impede trade union strategies against the background of EMU, the current Euro crisis and European governance initiatives. In

⁵ Marginson and Sisson (2006: 296) point to ‘multi-speed “Europeanisation”’ arising from varying pace at which developments in industrial relations are taking place between and within sectors as well as between and within countries. Having this in mind, we are well aware of the fact that organisational fields of industrial relations at the European level, if they existed at all, largely vary, can interact with or even influence each other by processes of social learning (pattern bargaining is an example). For analytical reasons we differentiate between distinct sectors and investigate metalworking for its most extreme position in terms of economic integration, union membership strength, high union density rates, the existence of MNCs and hence, European works councils, etc.

⁶ Multi-employer bargaining systems exhibit a higher propensity than single-employer-bargaining systems for European cooperation and coordination of collective bargaining at European level (Traxler 2003: 104).

this sense, our focus is on both, trade unions' efforts to create such institutions and the effects of European institutions created by labour on trade union strategic behaviour. We do not consider the effects of European industrial relations institutions on wages or performance in the wider sense (for a discussion on the macro-economic performance of national wage setting institutions see Calmfors and Driffill 1988, Traxler 2003, Traxler et al. 2001, Traxler et al. 2008), but investigate the **determinants of trade unions' (institutional) strategies**. Against this background the article addresses the following two questions:

1. Is there a European field of industrial relations in the metal industry, and if so, what roles have trade unions played in its construction?
2. Why, how and when have national trade unions engaged in strategies of creating, maintaining (or disrupting) European institutions of industrial relations?

Our contention is that institutional strategies or 'institutional work' (Lawrence and Suddaby 2006; Lawrence et al. 2009) of national trade unions at European level, albeit countervailing pressures exerted by supranational policy actors, have provided labour with institutional power resources vis-à-vis MNCs. Under particular circumstances (e.g. an excess in labour demand in certain occupations) these institutions might entail employers to embark on wage bargaining at transnational level.

Based on existing literature and data our article revisits accounts on trade union strategies in an (emerging) European field of industrial relations, with a focus on institutions for wage policies, from a fresh theoretical perspective. The paper is structured as follows; first, we provide a detailed account of the development of our theoretical model (section 2) before investigating the question of the emergence of an organisational field of European wage policy on the basis of the exemplary case of the European metal sector (section 3). Section 4 presents an outlook on strategic responses of unions in the European metal sector to the current economic crisis.

2 Theoretical considerations

In this section we develop a theoretical framework that provides explanations for institutional strategies of trade unions towards the development, maintenance and/or disruption of industrial relations institutions at European level on the one hand, and for strategic responses of trade unions to existing European industrial relations institutions on the other hand. We draw on accounts of neo-institutionalism that provide suitable conceptions to explain why, how and when trade unions engage in strategies towards transnational solidarity and/or (re-)nationalisation. (Institutional) strategies are embedded within the organisational field concept of DiMaggio and Powell (1983) and more recent conceptions of change and agency therein (DiMaggio 1988; Oliver 1991; Beckert 1999; Hofmann 1999; Reay and Hinings 2005, Lawrence and Suddaby 2006; Lawrence et al. 2009).

As Traxler (2003: 87) rightly argues, there is no direct functional relationship between the development and performance of (industrial relations) institutions.⁷ The functionalist assumption that institutional change is driven by performance pressures (such as international competition) bringing about a natural selection that enables only well-performing institutions to

⁷ The underlying reasoning 'structure follows function' stems from Luhmann (1984).

survive, could not be confirmed with regard to national industrial relations institutions. Instead, national path dependencies have largely prevailed (Traxler et al. 2001). Even if EMU magnifies the scale of performance pressures, institutional diversity at national level largely persist. However, existing institutional arrangements may provide functional equivalents (e.g. coordinated forms of bargaining decentralisation) as a response to an increase in international competition (Traxler et al. 2008)⁸.

A similar reasoning is expected to hold true when it comes to explaining trade union strategies in response to competitive pressures resulting from internationalisation of product markets and a rise of MNCs. Until the early 1990s, trade unions have (with notable exceptions, see Erne 2008) rarely moved their wage-related strategies to the European or international level, not least because collective bargaining remained outside the purview of European legislation and union membership is still organised within national borders. Institutions of collective bargaining and associated trade union strategies have still largely remained within the realm of the nation state. Accordingly, transnational market forces have neither led to a convergence of national institutions of wage setting nor to the internationalisation or Europeanisation of trade union strategies in response to functional requirements, i.e. *economic* pressures. This is largely due to trade unions dependence on legitimacy provided by both, their national membership and their counterparts on the labour market, business associations and the state, in order to secure necessary resources (financial resources, institutional power) for survival. In contrast, *institutional* changes at European level, such as the European Monetary Union, the adoption of the European Works Councils (EWCs) Directive, rulings by the European Court of Justice (ECJ) and recent European economic governance initiatives seem to entail selected national trade unions to move their strategies to the European level. Thus, only in combination with changes in institutional environments, economic pressures seem to propel trade unions to engage in transnational strategies of institution building⁹. This brings us to organisational neo-

⁸ Traxler et al. (2001 : 3–5) presents two lines of reasoning underlying convergence thinking. The two accounts differ in how they relate their argument to performance: '1. Most prominently, neo-institutional economics (e.g. Williamson 1981) rests upon the efficiency view of convergence. It asserts that the natural selection of market forces weeds out inferior institutions. This does not necessarily imply institutional convergence in the strict sense of macro-level homogenisation, rather, (functional equivalent) efficient institutional solutions vary with the microeconomic problems in question which are conceptualised as economising on transaction costs. 2. A second line of reasoning traces convergence to market-led opportunism. Here, a certain direction of convergence is suggested in so far as self-interested behaviour is supposed to increasingly undermine collective institutions. Furthermore, it is expected that market failure implies that the transnational spread of market-driven self-interest erodes even such collective institutions that have proved economically superior'.

⁹ This reasoning somewhat contradicts a hypothesis assumed by Erne (2008 : 129) that increasing Europeanisation of the *economy* will force organised labour to cooperate across borders. However, among several examples, Erne (ibid. : 133–134) points to early initiatives of sectoral international union federations to establish world company councils (WCCs) in MNCs in the 1960s and 1970s, however, concludes that most of these initiatives 'came to nothing' due to two reasons: 1) a reluctance of executives of MNCs to meet workers' representatives at the international level who could not be forced to do so; 2) political rivalries and the persistence of national exit options frequently put an end to these voluntary cross-border union councils and committees. Only when the European Works Council Directive was adopted in 1994, multinationals have been obliged to meet workers' representatives at European level. Since then, initiatives of unions and European works councillors to create cross-border institutions of bargaining coordination have been multiplied. This supports our argument that economic pressures only in combination with institutional changes entail trade unions to pursue strategies of institution building at

institutionalism that takes into account technical / economic (e.g. internationalisation of markets) as well as institutional developments in explaining organisational behaviour and strategies.

2.1 The 'organisational field' concept applied to industrial relations

The concept of organisational fields has become an increasingly useful – meso – level of analysis for considering sets of organisations¹⁰, organisational populations¹¹ and the vertical as well as horizontal relationships between them (Reay and Hinings 2005). According to DiMaggio and Powell (1983) organisational fields cannot be determined a priori but must be defined on the basis of empirical investigations. A field only exists to the extent that it is institutionally defined. The authors distinguish between four parts of institutional definition: 1. an increase in the extent of interaction among organisations in the field; 2. the emergence of sharply defined inter-organisational structures of domination and patterns of coalition; 3. an increase in the information load with which organisations in a field must contend, and 4. the development of a mutual awareness among participants in a set of organisations that they are involved in a common enterprise (DiMaggio and Powell 1983: 148). In line with Hoffman (1999) we identify field membership as primarily based on a central issue (wage policy at European level) rather than a common technology or market. From this perspective, fields become centres of debates in which competing interests negotiate over issue interpretation (ibid. 351). As such, organisational fields are conceived as 'arenas of power relations' (Brint and Karabel 1991: 355) where multiple field participants compete over the form of institutions or institutional logics (see below) that will guide organisational behaviour.

In the (emerging) European field of wage policy we can identify the core populations of organisations that fulfil the above characteristics: national and European trade unions, national and multinational business (associations), nation states and supranational policy actors. The individual populations of organisations exhibit varying degrees of cross-national interaction and of mutual awareness that they are part of a common enterprise. However, in contrast to trade unions, business (associations) and MNCs have been rather reluctant to engage in bilateral wage bargaining coordination at European level. And it remains to be seen whether strong institutional pressures 'crystallise the field formation process' (Hofmann 1999: 352) and force them into field-level dialogue over wage policy at European level.

Also within individual populations issues and institutions might be contested. For instance, in the wake of EMU several regional groups of national trade unions in neighbouring countries

European level. Here, institutions have provided institutional power to unions. Moreover, neo-institutional reasoning (Beckert 1999 : 779) suggests that in situations of high uncertainty and complexity informational constraints do not allow intentional rational actors to assign probabilities to the possible consequences of choices.

¹⁰ The conception of organisational set was developed in analogy from Robert Merton's concept of role set (e.g. a mother has specific role obligations toward her children, others toward their teachers, etc.). Similarly, a given organisation participates in a variety of relations depending on the identity of its specific partners and competitors (Scott and Davis 2007 : 115–116).

¹¹ The concept of organisational populations identify aggregates of organisations that are alike in some respect (Scott and Davis 2007 : 116–117).

(such as Belgium, Netherlands, Luxemburg and Germany, or so called Doorn initiative) have developed common norms, such as bargaining rules allowing for a compensation of inflation and productivity, in response to new regulatory frameworks in Belgium. In contrast, labour associations in lower wage countries of Eastern Europe might diverge from the former unions in their cultures and belief systems pursuing strategies of competition leading to a downward spiral of wages and regime competition (Meardi 2004). This brings us to distinct forms of institutional influences on trade union strategies.

We draw on a conception of institutions provided by Scott (2008: 48): 'Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life'. Scott (2008: 47ff.) calls the regulative, normative, and cultural-cognitive aspects also three pillars of institutions. *Regulative* (or legal) aspects of institutions most commonly take the form of regulations. They guide organisational action and perspectives by coercion or threat of legal sanctions. The basis of compliance is expedience. Organisations prefer not to suffer the penalty for non-compliance. For instance, collective bargaining extension mechanisms in multi-employer bargaining systems make a collective agreement generally binding within its field of application (Traxler and Behrens 2002). Thus, even employers that have not been involved in wage bargaining do comply with the provisions of collective agreements to avoid being sued before the labour courts. *Normative* aspects of institutions include both, values and norms. Their ability to guide organisational behaviour stems largely from social obligation or professionalisation. Organisations will comply with them out of moral-ethical obligation or in conformance to norms established by education institutions or trade associations (Hoffman 1999: 353). Some values and norms are applicable only to selected types of actors or positions giving rise to *roles*: conceptions of appropriate goals and activities for particular populations of individuals or collective actors. For instance, in bipartite multi-employer collective bargaining systems, such as Austria, business associations have exhibited a strong feeling of social obligation to join collective bargaining with trade unions even in sectors that display low trade union organisational power (Pernicka 2003). The trade unions' strong position within Austrian social partnership provides these actors with institutional power resources that go far beyond their actual membership strength. *Cultural-Cognitive* aspects of institutions refer to shared conceptions that constitute the nature of social reality and the frames through which meaning is made (Scott 2008: 57). Organisations will often follow these cultural conceptions without conscious thought (Zucker 1991). Cognitive institutional aspects form a culturally supported basis of legitimacy that becomes unquestioned (Hoffman 1999: 353). As such, cultural differences (such as language, distinct cultural framings of issues) between national systems of employment relations are often key obstacles trade unions and (European) works councils face in their efforts to cooperate at the European level (Klemm et al. 2011).

2.2 The role of institutional logics, framing processes and repertoires of collective action in the field of industrial relations

Neo-institutional theory (Scott 2008: 186) and industrial relations theory have in common that their attentions to the cultural aspects of fields or systems have lagged behind relational aspects. Albeit in their conception of organisational fields, DiMaggio and Powell (1983: 148) point to 'the

development of a mutual awareness among participants in a set of organisations that they are involved in a common enterprise', this factor is not further elaborated. Substantial progress on this matter has been provided by Friedland and Alford's (1991) essay stressing the importance of institutional logics to the existence of an institutional order. Institutional logics are perceived as cultural beliefs, conceptions and practices that shape cognitions and behaviours and hence, organisational structures and strategies. Scott (2008: 186) states that 'some of the most important struggles between groups, organisations, and classes are over the appropriate relationships between institutions, and by which institutional logic different activities are to be regulated (...)'. Institutional change is often associated with the replacement of a dominant logic for another, for instance, in publishing, Thornton (2004) observes that market logic replaced craft logic. However, more recent accounts point to the importance of multiple and conflicting institutional logics that exist at the same time (Dunn and Jones 2010).

As regards industrial relations and wage policy in particular, institutional logics are assumed to differ along a continuum from market logic whereas wages are perceived as the result of supply and demand in competitive and efficient markets to the logic of coordination containing the belief that bilateral wage bargaining results in an outcome that secures interests of both parties to the collective agreement, labour and employers. Moreover, institutional logics might be further differentiated in terms of either conflicting or compatible sub-logics that prevail between different or even within populations of actors. For instance, German employers and trade unions used to share a common belief in collective bargaining cooperation. However, while employers have participated in multiple-employer wage bargaining due to their belief in its function to increase productivity by providing industrial peace, trade unions' participation can be traced to the assumption that wage bargaining result in fairer and economically more sustainable wages than market competition.

A second and third concept that have proved helpful in examining cultural-cognitive systems (Scott 2008: 187) and have also been adopted by social movement theorists (Benford and Snow 2000; McAdam et al. 2001; Davis et al. 2005) are that of 'framing processes' and 'repertoires of contention'. Scott (2008: 188) points to Erving Goffman (1974: 21) who was the first to employ the concept of cultural frames to refer to 'schemata of interpretation' that enable individuals 'to locate, perceive, identify, and label' events occurring to them in ways that establish their meanings. Frege and Kelly (2003, 2004) took up the concept of framing processes in their theoretical contribution on strategic choices of trade unions (see section 1.4.). Most interestingly, they argue that the adoption of particular initiatives, such as organising in the USA and the UK in the 1990s, may reflect the emergence of new union leadership able to frame issues and solutions in ways that command the support of union activists and members. However, 'given the innumerable ways in which people [and organisations] could, in principle, deploy their resources in pursuit of common ends ... at any point in time, the repertoire of collective action available to a population is surprisingly limited' (Tilly 1978: 151). Thus, trade unions' repertoire of collective action is conceived to be limited and bounded by both, their own history of collective action as well as regulations, norms and cultural beliefs residing in the relevant organisational fields.

In our study we employ all three conceptions (institutional logics, framing processes, repertoires of collective action) for their analytical strength in explaining cultural-cognitive aspects of institutional processes that affect upon trade union organisations and their behaviour.

2.3 Trade unions' strategic responses to institutional pressures at European level

European industrial relations and wage policies at European level are hardly institutionalised, so that trade unions (and business associations) have not necessarily strategically responded to institutional changes in these issues at European level at all. However, there exist a number of field-external institutional pressures, such as EMU or economic governance initiatives, that impact upon national trade unions' behaviour and strategies. Moreover, as field-internal institutions have been established by supranational and national trade unions (such as bargaining coordination rules) they might entail particular strategic responses of national labour, and in combination with socio-economic pressures, also responses of business.

While earlier accounts of neo-institutionalism (Meyer and Rowan 1977) merely distinguished between two types of responses organisations might enact towards institutional pressures (conformance or de-coupling of practices from legitimate formal structures), Oliver (1991) conceives five types of strategic responses: acquiescence, compromise, avoidance, defiance, manipulation. These 'organisational responses vary from conforming to resistant, from passive to active, from preconscious to controlling, from impotent to influential and from habitual to opportunistic, depending on the institutional pressures toward conformity that are exerted on organisations' (ibid.: 151). Moreover, whether strategies of conformity (acquiescence, compromise) or resistance (avoidance, defiance, manipulation) are enacted depends on the willingness and ability of organisations to conform to the institutional environment (ibid: 159). As regards *willingness*, there are three possible predictors about the likelihood of conformity with institutional requirements: 1) the extent to which questions arise about the legitimacy or validity of institutional status quo (*organisational scepticism*); 2) political self-interests among organisational actors that are at cross-purpose with institutional objectives (*political self-interest*) and 3) organisational efforts to retaining control over processes and outcomes (*organisational control*). The conditions under which organisations are *able* to conform are bounded to 1) organisational resources to meet the requirements (*organisational capacity*); 2) conflicting institutional pressures that make unilateral conformity unachievable (*conflict*) and 3) the extent of recognition or awareness of institutional expectations (*awareness*) (ibid: 159).

For our research purposes, from the above reasoning we deduce the following main hypotheses relevant to predict national trade unions' strategic responses to institutional pressures towards conformity:

H 1: The lower the degree of *social legitimacy* of European institutions of wage policy perceived by trade unions to be attainable from conformity to institutional pressures, the greater the likelihood of organisational resistance to European institutional pressures.

H 2: The higher the degree of *political self-interests* of national labour unions that are at cross-purpose with institutional objectives of labour at European level, the greater the likelihood of organisational resistance to institutional pressures.

H 3: The larger organisational efforts to *retaining control* over processes and outcomes, the greater the likelihood of organisational resistance to pressures by institutions at European level.

H 4: The larger the extent of *organisational resources* required to address institutional pressures at European level, the greater the likelihood of organisational resistance.

H 5: The higher the degree of *institutional conflicts*, such as between national and European regulations and norms or between institutions at the same societal level, the greater the likelihood of organisational resistance to institutional pressures.

H 6: A lack of recognition or *awareness* of European institutional expectations limits the ability of trade unions to conform to institutional pressures.

2.4 Institutional strategies – efforts to create, maintain or disrupt European institutions

While earlier neo-institutional accounts (Meyer and Rowan 1977; Oliver 1991) and existing theorising (Kochan et al. 1986; Frege and Kelly 2003, 2004; Hyman 2007) in industrial relations used to focus on strategic action and tactics *within* (national) institutional settings, our main concern in this paper is on institutional strategies that aim at the creation of *new* institutions – or on institutional re-embedding of industrial relations – at European level. This brings us to the concept of institutional work (or institutional strategies, a term we use synonymously) (Lawrence and Suddaby 2006; Lawrence et al. 2009: 13). Institutional work is defined as work motivated significantly by its potentially institutional effects. Here, the emphasis is on intentionality. In this article, we focus on trade union efforts to create (maintain or disrupt) European institutions in order to enforce their wage policy interests. Non-intentional actions may have profound institutional effects but still is not institutional work (Lawrence et al. 2009: 13). In contrast, institutional work may have no institutional effect at all. Institutional work can therefore also be understood as physical or mental effort done in order to achieve an effect on an institution or institutions (Lawrence et al. 2009: 15). Variations in the degrees of effort point to a way of understanding the range of actions which might be considered institutional work (ibid: 16). For instance, trade unions' efforts to create cross-border institutions which impact upon national processes and outcomes of wage bargaining are considered to involve 'harder' work than business activities aiming to enforce competitive wages. This is true at least under current conditions where EU policies of market liberalism prevail. These considerations can also be applied to European Works Councils (EWC) in their effort to create European wide institutions within MNCs to securing fair pay and employment conditions, because MNCs can hardly be forced to enter wage negotiations at transnational level. The variation in required efforts between labour representatives and employers and their associations (as the two core organisational units in the field) can be traced to at least two general explanations: 1) the existence of an asymmetrical power relationship between labour and capital in capitalist societies (Offe and Wiesenthal 1980; Traxler et al. 2001: 11) and in relation to this, 2) a contradiction in their interests. While structurally less powerful labour has an interest in building European and global institutions that might mitigate the effects of unlimited market competition such as downward pressures on wages, multi-national employers seem to perceive unregulated markets as more appropriate to achieve their aims (profit maximising).

In focusing on institutional strategies of trade unions at European level, we are required to address a paradox in neo-institutional debate corresponding to the agency vs. structure debate, i.e. the 'paradox of embedded agency' (Battilana and D'Aunno 2009). The key question to ask is:

'How can actors change institutions if their actions, intentions, and rationality are all conditioned by the very institution they wish to change?' (Holm 1995), or in other words: is there room for strategic manoeuvre for trade unions that goes beyond existing institutions? While conventional industrial relations theory has tilted more toward structure (Dunlop 1958; Clegg 1976; Ferner and Hyman 1998; Traxler et al. 2001), since the late 1980s several industrial relations scholars have moved their focus toward 'strategic choice' of trade unions (Kochan et al. 1986; Voss and Sherman 2000; Frege and Kelly 2003; Pernicka 2006; Hyman 2007; Pernicka and Aust 2007; Holst et al. 2008; Pernicka 2009). Frege and Kelly (2003, 2004) have developed the most elaborate framework of trade union strategies so far. Based on existing industrial relations and social movement literature (McAdam et al. 2001) they emphasise the importance of internal structures and framing processes that in combination with institutional differences, identities and differences in employer, political party or state strategies determine strategic action of unions (Frege and Kelly 2003: 12). Although their model remained within the borders of (highly institutionalised) nation states their findings reveal an important predictor for institutional innovation and change: the existence of powerful individual and/or collective agents (DiMaggio 1988). For instance, Frege and Kelly (2003: 22) argue that the adoption of particular initiatives, such as organising in the USA and the UK in the 1990s, may reflect the emergence of new union leadership able to frame issues and solutions in ways that command the support of union activists and members.

Neo-institutional accounts highlight the role of organised actors or institutional entrepreneurs who possess sufficient resources (power, legitimacy, financial means, etc.) and see in them an opportunity to realise interests that they value high (DiMaggio 1988). According to Lawrence et al. (2009: 8) institutional entrepreneurship that is directed towards the creation of institutions can be roughly broken down to three types: 1) 'overtly political work in which actors reconstruct rules, property rights and boundaries that define access to material resources'; 2) 'actions in which actors' belief systems are reconfigured'; and 3) 'actions designed to alter abstract categorisations in which the boundaries of meaning systems are altered' (Lawrence and Suddaby 2006: 211).

Since institutional agents (in contrast to instrumental, rational actors) are perceived by definition as embedded in institutions one needs to address the issue of 'enabling conditions' for institutional strategies at all three societal levels of analysis (field-level, organisation-level and individual level). At field level, we have deduced from literature the following enabling conditions for institutional strategies: events of crisis (such as regulatory changes, social upheaval, competitive discontinuities, technological disruption, etc.) (Battilana and D'Aunno 2009: 39), contradictory institutional rules (Beckert 1999: 780, Thornton and Ocasio 2008: 115) as well as increasing heterogeneity and incomplete institutionalisation of practices, values and norms (Tolbert and Zucker 1996) that all facilitate institutional work.

At organisational level, organisational characteristics are of interest, in particular the position within the organisational field, organisational identities, internal structures and perceptions of dominant groups and institutional entrepreneurs related to the issue of interest (framing processes) as well as past experiences and repertoires of collective action. The organisational level of analysis sheds light to the important question of why actors who face the same field conditions are not equally likely to engage in institutional work. The same is true at the individual level. Individuals are conceived as embedded in a social context and as responding to

the situations that they encounter in this context (Emirbayer, 1997, cit. in Battilana and D'Aunno 2009: 45).

We suggest the following hypotheses related to institutional work of trade unions in the field of wage policy at the European level:

H 7: Changes in the *institutional and economic environments*, rather than economic pressures (such as rising international competition) at European level, increase the likelihood that trade unions contribute to the creation of European institutions.

H 8: The larger trade unions' *power* the greater the likelihood of unions to engage in the creation of European institutions. There are three sources of power:

H8a. *Institutional power* – derives from regulative, normative and cultural-cognitive elements and practices inherent in national and European institutions that support or impede trade union action (particular belief systems and practices are referred to as 'institutional logics').

H8b. *Structural power* refers to socio-economic conditions, such as levels of unemployment, degree of labour supply in particular occupations. A low unemployment rate increase unions' structural power.

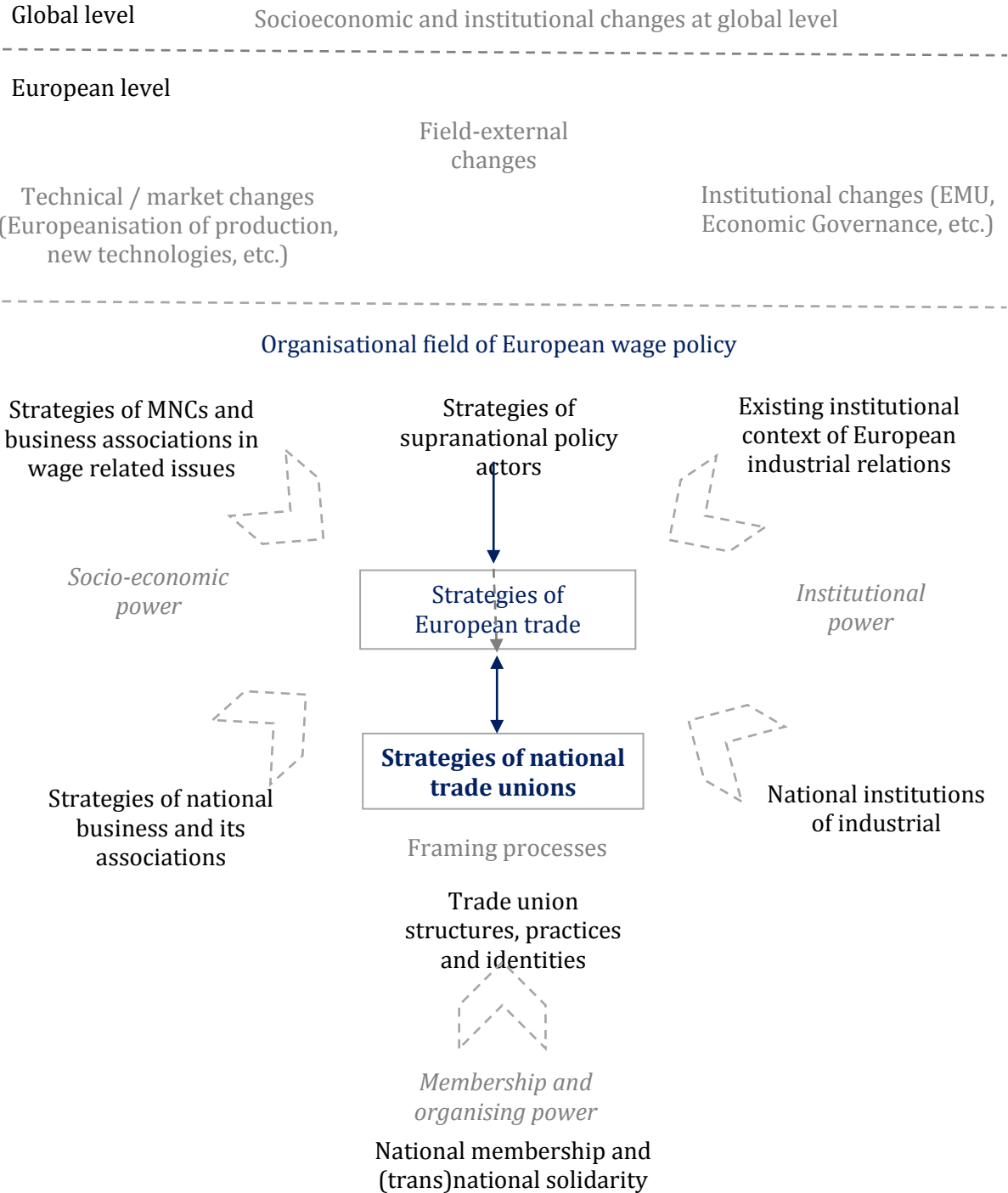
H8c. *Organising power* is composed of membership strength and cooperation with other (transnational) social movements (national and international solidarity).

H 9: Given a minimum level of *institutional embeddedness* of organisations, *institutional incompleteness* and *uncertainty* at European level increases the likelihood of trade unions to engage in creating institutions.

H 10: Framing processes, internal structures, power configurations as well as past experiences (social learning, repertoires of collective action) influence the likelihood of institutional strategies of trade unions at European level.

Based on the above hypotheses we draw a (rough) picture of our framework on the determinants of (institutional) strategies of trade unions as unit of analysis and focal organisation (see figure 1). It is important to note that organisational (technical-economic and institutional) environments do provide both, field internal and external conditions. The former refer to (strategic) behaviour of field participants and institutional changes created by supranational policy actors. The European field of wage policy is characterised by a certain degree of social closure vis-à-vis the global level. This is due to existing institutions such as supranational regulations, norms and cultural-cognitive aspects that govern economic production and its regulation at the European but not at the global level. However, multinational companies that operate on a global scale as well as transnational social movements are of relevance in the field of European wage policy coordination. The latter, such as for instance the global justice movement, share with trade unions common political positions, objectives and values. European and national trade unions cooperate with them in order to reach out to a new public, to act in innovative ways, to strengthen its mobilisation capacity and to increase their power vis-à-vis transnational business (Keune and Schmidt 2009: 17).

Figure 1: Determinants of national union strategies in an emerging European field of wage policy



2.5 Strategies of (re-)nationalisation, Euro-democratisation and Euro-technocratisation

Concerning distinct institutional strategies of trade unions, we propose three ideal-typical strategies of national trade unions towards wage policy coordination at European level: Euro-technocratic, Euro-democratic and (re-)nationalisation (Erne 2008)¹².

The differentiation between Euro-technocratic and Euro-democratic strategies stems from the basic assumption that trade unions are intermediary organisations (Müller-Jentsch 1985; Schmitter and Streeck 1999). As intermediary organisations, trade unions constantly mediate between their members' interests and organisations (employers, the state/EU). In terms of Schmitter and Streeck's differentiation, unions are structurally organised in accordance with both, 'the logic of membership' and 'the logic of influence'. Euro-technocratic strategies are more closely connected to the 'logic of influence' in that trade unions' strategies at European level do not rely on membership power but on effectiveness and legitimacy provided by organisational actors (such as other national trade unions, European trade union federations, European Commission, etc.). In this sense, technocratic strategies are directed towards the organisational environment (i.e. the logic of influence) at European level rather than towards (potential) members (Pernicka and Stern 2011). The opposite is true for Euro-democratic strategies, these draw on membership power and legitimacy provided by their constituencies. (Re-)nationalisation strategies are conceived to draw either on membership strength or national institutional power however they do not contribute to the creation of European institutions and might even impede the effectiveness of European institutions by non-cooperative behaviour (e.g. strategies of competitive corporatism). Workers and unions are barely immune to regime competition, but rather often feel forced to engage in wage competition to save jobs or attract new investments for their company, sector or country (Keune and Schmidt 2009: 19).

The following table 1 presents an overview of trade unions' (institutional) strategies pursued in response to socio-economic and institutional pressures within an (emerging) field of wage policy at European level. However, in order to reduce the level of model complexity, the second row (strategic responses of trade unions to institutional pressures) refers to institutions created by labour only (competitive and institutional pressures exerted by global and European/supranational actors and MNCs are regarded as given).

¹² We draw on Erne's (2008) typology of three trade union strategies and developed a neo-institutional theoretical foundation.

Table 1: Trade union (institutional) strategies between Europeanisation and (re-)nationalisation

Strategic choices	Euro-technocratic strategy	Euro-democratic strategy	(Re-)nationalisation strategy
Institutional strategies	Top-down (European peak-level organization) creation of institutions at European level	Bottom-up (National affiliates, rank-and-file) creation of Institutions at regional / European level	No institutional work or disruption of European institutions of collective bargaining coordination
Strategic Responses of national unions to institutions created by labour at European level	Passive* conformity or passive resistance Dominance of influence logic	Active conformity or active resistance Dominance of membership logic	Resistance National interests and practices dominate
Represented interests	Common transnational or particularistic (sector) interests at European level	Common transnational or particularistic (sector, MNCs) interests	Particularistic national (sector) interests

* The attribute 'passive' conformity or resistance refers to an orientation towards the 'logic of influence' while 'active' conformity or resistance stands for the involvement of trade union membership power within a process of supporting or rejecting (labour based) institutions at European level.

3 Wage policy in the metalworking sector - an emerging European field of industrial relations?

According to DiMaggio and Powell (1983), an organisational field only exists as it is institutionally defined. While there is no doubt that industrial relations and wage bargaining are – to varying degrees – institutionalised at national and local level, there exist no formal institutions of wage policy at transnational, European level. Rather, wage policy is still excluded from the purview of EU legislation. However, EMU and the tight monetary regime of the European central bank have exerted institutional pressures on national systems of wage-setting: While the instrument of devaluation of national currencies disappeared, the main burden of adjustment to asymmetrical shocks and imbalances within the Eurozone has been placed on wages (Traxler 2003: 86; Glassner 2009). In addition, more recent economic governance initiatives of supranational policy actors contain coercive rules that might disrupt existing bargaining institutions in countries burdened by high current account deficits. While these changes and its perceived outcomes might be compatible with employers', in particular MNCs, preference for further decentralisation of collective bargaining towards company level, they get into conflict with the belief systems and practices of European and several national trade unions that emphasise the importance of multi-employer bargaining coordination in providing fair wages. Due to employers' opposition to any European-level bilateral coordination of collective wage bargaining, some trade unions have resorted to unilateral cross-border bargaining coordination at sector level. Here, the metal industry has played a prominent role in all reported union initiatives, acting as a pacesetter (Marginson 2009: 64). The outstanding position of metalworking is due to the large extent to which production is integrated across borders, its

exposure to international competition and its role as pattern setter in multi-employer bargaining systems of most Western European industrial relations systems. Moreover, national trade unions' comparatively high level of membership and organising power derived from networks with global unions in metalworking and other ETUFs, European Works Councils and union representatives in MNCs (particularly in automotive sector) have contributed to the relatively large engagement in the creation of European institutions of cross-border coordination.

The following section (3.1) contains a brief summary of the development of trade union bargaining coordination initiatives in the metal sector over time. These initiatives are conceived as institutional strategies by selected national and regional employees' organisations (bottom-up initiatives) and by the European Metalworkers' Federation (EMF) as well as the European Trade Union Confederation (ETUC) (top-down initiatives). Our focus is on cross-border initiatives against the background of the EMU. In the next sub-section 3.2 we investigate the question whether an organisational field of European wage policy has emerged in the metal sector. Therefore, we draw on existing literature on empirical evidences that support or fail to support our contention that a European field of industrial relations in the metal industry exists and that trade unions have contributed to its construction. In addition, we explore whether and if so, to which extent employers and their associations at European level have engaged in cross-border coordination of wages and employment conditions within and beyond transnational companies. Finally, in section 3.3 we explore the determinants of unions' institutional strategies and strategic responses to institutional pressures within an emerging organisational field of European wage policy in the European metal sector.

3.1 The evolution of transnational collective bargaining coordination in the European metal sector

Unions' efforts in coordinating wage bargaining across borders took place against the background of developments in the economic and institutional sphere. In this respect, the implementation of the EMU is a key event; and although it originates in the external institutional environment of the field of European wage policy, it directly affects trade unions' strategic behaviour at national and European level (for an overview see Figure 1 and Table 1 in the Annex).

In view of the forthcoming EMU, trade unions in the metal sector began to coordinate their bargaining policies and to adopt common principles for wage setting. Their main aim was to mitigate downward pressures on wages and working conditions deriving from the centralisation of monetary policy that ruled out currency devaluations as a strategy to improve a country's international competitiveness. Both 'top-down' and 'bottom up' strategies were adopted by unions. The former strategies refer to institutions initiated and implemented by the European Metalworkers' (EMF) while the latter ones refer to institutions established autonomously by national trade unions. The EMF had a strong and pioneering role in the cross-border coordination of collective bargaining policies. A 'statement of principle on collective bargaining policy' was adopted, in a 'top-down' fashion, at the EMF Collective Bargaining Conference in 1993; the EMF and its member organisations agreed on a 'regular annual compensation for price increases in order to protect real wages, and to guarantee workers a share in productivity gains'

(EMF 1993). The 'European coordination rule', adopted in 1998, specifies quantitative and normative criteria for wage bargaining (EMF 1998) but leaves the wage autonomy entirely to the national social partners due to its purely voluntary nature.

The EMF's coordination rule was adopted in the light of changes in the European legal-institutional framework and their impact on the national level. For instance, the enactment of the Belgian law on 'the safeguarding of competitiveness' in 1996 that stipulates that wage growth should remain below wage increases in the neighbouring countries Germany, the Netherlands and France is regarded as an important driving factor for enhanced coordination initiatives of central western European trade unions (Marginson and Sisson 2006). In the late 1990s, interregional bargaining networks, aiming to support the implementation of the EMF coordination rule, developed rapidly through bottom up initiatives. For instance, the IG Metall, the Belgian metalworkers' organisations CCMB and CMB, and the two sector-related Dutch unions in FNV Bondgenoten and CNV Bedrijvenbond established a cross-border network for exchange of collective bargaining information and trade union officials (Schulten 1998; Gollbach and Schulten 2000). Likewise, a coordination partnership between Austria, Bavaria, Czech Republic, Slovakia, Slovenia and Hungary, was established in 1999 by trade unions from these countries that make up the so-called 'Vienna Memorandum Group' (Glassner 2009: 117). Another example is the Scandinavian network in the metal sector which dates back to the 1970s when Nordiska Metall was established as a forum of information exchange of information. The box below provides an overview of unions' early attempts of cross-border coordination of wage policies.

Box: Early attempts of cross-border bargaining coordination initiatives of national trade unions

- **'DACH' initiative:** Founded in the late 1960s, this multilateral trade-union network consisting of manufacturing and metal sector unions from **Germany, Austria and Switzerland**, provided a framework for the regular exchange of information on bargaining policies and other topics and aimed at the coordination of union policies across borders. DACH was formally included in the organisational structure of the IMF (International Metalworkers' Federation) and, later on, the EMF.
- **'Nordiska Metall':** Founded in 1970 by manufacturing sector unions from Denmark, Sweden, Norway, Finland and Iceland this cross-border cooperation aimed at the coordination of bargaining, industrial and health and safety policies. Since the 1990s the Nordic unions intensified their cooperation with the EMF, in particular in collective bargaining, transnational restructuring and other issues. With the accession of Sweden and Finland to the EU in the 1990s, Nordiska Metall became a regional body for the coordination of European policies within the EMF.

Assumedly, early attempts to coordinate wage policies across borders were pursued by unions to respond to increasing instability of the international monetary regime, that is the disruption of the Bretton Woods regime of fixed exchange rates and the global oil shocks (see Tab.1, Annex). In the course of the 1970s the Deutschmark (DM) developed into the *de facto* 'anchor currency' towards which a group of small countries (i.e. the Benelux countries, Denmark, and above all, Austria) orientated their monetary policies.

However, recently the wage bargaining goals of the EMF came under strain when the economic crisis hit Europe in late 2008. In times of steeply declining labour productivity, increasing unemployment and vast imbalances in external trade balances between EMU-countries, the wage guideline was perceived to be of limited use and was revised in late 2011 (see also section 4).

It is important to state that unions' institutional strategies aiming at the cross-border coordination of wage bargaining are *unilateral* initiatives. However, for an organisational field to emerge, it requires that all groups of actors or field populations are at least affected in one or another way by institutions prevailing in an organisational field. Thus, in order to address our second research question, employers' institutional strategies are considered in particular.

3.2 The emergence of an organisational field of European wage policy?

Growing levels of interactions and cross-border interdependencies of core populations of industrial relations actors would be an important indicator for the existence of a European field of wage policy in the metal sector. However, as Marginson (2009: 64) point out, there is a striking asymmetry in the predominant level of activity between employers and trade unions: while the primary focus of employer activity is at the level of MNCs, for trade unions, the primary focus has been at the sector level. However, as regards MNCs, the European Works Council Directive adopted in 1994 has entailed labour representatives and business (associations) to engage in bilateral cross-border activities. In their study of the banking and automotive sectors, Arrowsmith and Marginson (2006) found three kinds of motives of management to engage in concluding bilateral cross-border agreements on non-wage issues with European Works Councils (Marginson 2009: 70f.): in brief, these motives include (1) the gain of legitimacy, (2) the achievement of economic efficiency and (3) a response to employee-side organising and institutional power. Ad (1), management seeks additional legitimacy for pan-European, company human resource policies through securing employee representatives' consent or approval via a formal agreement. Ad (2), management seeks to minimise transaction costs (i.e. time and resources) potentially entailed in a series of parallel local negotiations. Ad (3), management is pressured by a demonstrable employee-side capacity to coordinate local negotiations and, if necessary, cross-border forms of action (Marginson 2009: 70f.). Albeit these initiatives have resulted in non-wage agreements within MNCs only, it remains to be seen if in times of economic prosperity EWCs and trade unions are able to exert pressure on employers to take up cross-border negotiations on wages as well.

Although evidence for interaction between employers and trade unions in the metal sector is scarce and inconclusive with regard to the question of the emergence of an organisational field of European wage policy, the analytical consideration of the two basic institutional logics, i.e. cooperation and competition, and how the field populations compete over their predominant form, might help to advance this question. As Table 1 (Annex) indicates, among all three field populations (i.e. European policy actors, trade unions and employers) the logic of coordination *tends* to lose ground vis-à-vis the logic of competition (leaving aside different degrees or sub-logics of the respective two main logics).

Field-external changes in the global economic and institutional environment such as the internationalisation of finance and product markets since the early 1980s, as well as the creation of the European common market heightened competitive pressures on companies operating in international markets. These developments resulted in a change in the functions of MEB for employers¹³. In contrast to unions, for which an effective bargaining coordination at national level is a power resource for transnational coordination, preferences for the participation in MEB differ between nationally and transnationally operating companies. While for smaller, nationally operating enterprises MEB ensures that wages are kept out of competition, the same does not hold true for MNCs operating in different countries and therefore being able to take their investment decisions according to national differences in wages and employment standards. Furthermore, MNCs are less depending on the maintenance of social peace and economic stability in a particular country due to the transnational transferability of their operations. Finally, changes in the organisational structures of transnational enterprises that resulted in a rationalisation and specialisation of functions and enabled them to limit transaction costs without entering into negotiations with unions.

Interestingly however, the rise of MNCs in the wake of market internationalisation did not *per se* result in a withdrawal of transnational companies from both national and European employers' associations. MNCs are strongly represented in national employers' associations (Marginson and Meardi 2010) and even more so in European associations. Assumedly, the topic of wages was on the agenda of both Business Europe¹⁴ and the WEM¹⁵. There is some evidence that in the metal sector, the EMF's initiative has prompted WEM to exchange information on the development of collectively settled wages (Marginson and Sisson 2006: 204). The establishment of transnational bargaining network seems to have played an important role in employers' attempts to coordinate information on wage-setting. For instance, the initiatives between the IG Metall Coastal district and the unions in Denmark include the involvement of employers' associations in cross-border projects aiming at strengthening employment in the region (Andersen 2006). Moreover, the bargaining cooperation within the German-Belgian-Dutch network is quite active and strongly institutionalised. Thus, it can be expected that information exchange on wage bargaining occurs in some form or another among employers in the central-western metal sector.

A considerable increase in the extent of interaction in the organisational field of European wage policy between EU policy actors on the one hand, and unions and employers on the other, has resulted, above all, from the creation of the EMU. The centralisation of monetary policy in the EMU on the one hand required a further strengthening economic, fiscal and employment policy coordination. Economic policy guidelines adopted by the Council include orientations for wage setting that are directed to social partners at national and European level. Furthermore, the establishment of the institution of the macroeconomic dialogue provides a forum for European

¹³ Important functions of MEB for employers (see Tab. 1, Annex) are to keep wages out of inter-firm competition ('competition function'), coordinating wages within and between sectors ('coordination function'), ensuring macroeconomic stability and social peace by settling wages via negotiations with labour organisations ('stability function'), avoiding class conflict at workplace level by settling wages at (inter)sectoral level ('neutralisation function') and reducing transaction costs (arising from concluding labour contracts with employees individually).

¹⁴ BusinessEurope is the European peak-level organisation of national employers' associations

¹⁵ WEM stands for the Employers' Organisation of Metal Trades in Europe

policy actors, the ECB and European social partners to discuss monetary and economic policy issues whereby wage issues are regularly on the agenda. However, the starkly divergent positions of European employers' associations and trade unions on wage policy limit effective outcomes of the dialogue. Similarly, European employers are reluctant to enter into negotiations with European labour organisations, in particular since the European Commission withdraw from its initiative role in European social dialogue.

Structural power conditions in the European metal sector, which is characterised by capital- and knowledge-intensive production and, in large parts, shortages of skilled labour, however might require employers to re-enforce their efforts to coordinate wage-related company policies across borders. Since wages are a central element in attracting highly qualified staff and workers are increasingly mobile, the issue of wage policy is expected to gain in importance in talks between MNC managements and transnational bodies of worker representation. EWCs could be suitable institutions for such bi-lateral, wage-related coordination initiatives between labour and business.

3.3 Determinants of national trade unions' strategies and institutional work

Industrial relations systems in Europe remained rather stable and diversified despite uniform global market pressures deriving from the internationalisation of financial and product markets (Crouch 1993, Ferner and Hyman 1998). Rather, institutional change in preparation to the introduction of the Euro was the key determinant for trade unions in the metal sector to embark upon a transnational approach to collective bargaining coordination (see section 3.1). Increasing competitive pressures on wages resulting from the centralisation of monetary policy in the Euro zone intensified particularly in the European metal sector that is largely exposed to global competitive forces and features highly internationalised production chains. In addition, prior to EMU major institutions that form the basis of the 'European social partnership', such as the European social dialogue, the EWC directive, were created (see Table 1, Annex) (H7). Over the course of time however, the European Commission took a more passive stance towards European social dialogue which resulted in a weakening of the instrument due to employers' resistance to negotiate with unions at the European level.

Key determinants of institutional work of national unions, that is, active and deliberate strategic action that results in the creation and maintenance (as well as disruption) of European institutions for wage policy are three main sources of power; that is, institutional, structural and organising power (see Figure 1). *Institutional power* derives from regulative, normative and cultural cognitive sources (H8a). *Legal-regulative* power resources differ according to the characteristics of national industrial relations. Trade unions that first attempted the cross-border coordination of collective bargaining policies from Germany, Switzerland and Austria as well as the Nordic region (Sweden, Denmark, Norway, Iceland and Finland) benefited from vast institutional power resources, that is, highly coordinated and inclusive MEB systems (i.e. high bargaining coverage rates), high to medium-range union densities and a firmly institutionalised role of social partners in public policy-making. In the course of the 1980s and early 1990s unions from Germany, Austria and the Benelux countries most actively promoted the establishment of institutions for wage policy coordination in the European metal sector. In the wake of EMU, unions from these countries had an active role, both autonomously and within the

EMF, in strengthening and extending existing coordination initiatives practices to other European regions. Contrastingly, unions from countries that feature weakly coordinated multi-employer bargaining (MEB, in most southern European countries) or single-employer bargaining¹⁶ (SEB) systems (UK, MT and most central and eastern European countries), fragmented social partner organisations the involvement of which in public policy-making is weak, did not enter into institutional work with the aim to create institutions at European level. Rather, they could not draw on sufficient domestic institutional resources that enabled them comply with the European coordination guideline.

The existence of structures and practices of transnational wage bargaining coordination that were established in the European metal sector in the course of the 1990s (see Tab. 1, Annex) represents a source of normative power for trade unions. Institutions at European level, such as the EMF bargaining coordination rule corresponds in particular to the shared beliefs and practices of unions from countries where MEB is firmly established and wage setting is highly coordinated to ensure both price stability and the participation of workers in productivity gains (in particular in DE and AT). Productivity-based bargaining as an effective approach to avoid wage competition in the EMU became, via transnational social learning processes, a dominant view among EMF members.

As Table 1 (Annex) indicates, trade unions' initiatives in the emerging field of European wage policy are clustering regionally. Both in the Nordic as well as in the central-western European region, participating unions share similarities in cultural-cognitive characteristics (H8a). For instance, a common language, continued experience of cross-country interaction and cooperation in the economic and social sphere as well as shared beliefs with regard to collective bargaining, wage, social and economic policy are conducive factors enhancing the adoption of joint transnational strategies by national unions. Socio-cultural closeness was a major determinant for the participation of the Swiss union from the German-speaking region in the DACH initiative in the 1970s when Switzerland was the only small country that maintained a completely independent monetary policy. Likewise, the EMF's bargaining coordination rule was largely shaped according to the notion of stability- and productivity-based wage-setting common in Germany and Austria (as well as the Nordic unions?) that became incorporated – via faming processes and common practice – into the belief systems of unions from other European regions.

Structural and organisational power resources deriving from the socio-economic conditions and specific characteristics of their members are key determinants of strategic action and the ability of unions to carry out institutional work. *Structural power* is high for labour due to the importance, and partly scarceness, of skilled labour in the capital- and knowledge intensive production prevailing in the European metal sector. Bargaining power of unions tends to be strong, as recent developments in the economic crisis indicate; the maintenance of skilled labour was the key factor for employers to enter into negotiations with unions (H8b). Whether or not this particular source of structural labour power is gaining importance at the transnational level, and could be an incentive for employers to enter into coordination activities with unions and

¹⁶ Multi-employer bargaining refers to negotiations between trade unions and employers' associations while in systems of single-employer bargaining trade unions negotiate with individual employers, i.e. the company's management.

workers' representatives will be investigated in future research. *Organising power*, deriving from socio-economic characteristics of members, tends to be high for metal sector unions; organisational density rates are high as compared to other sectors, union presence at the workplace is strong, and the share of non-standard employment (i.e. part-time, fixed contract and agency workers, bogus employment) is small. Density rates and workplace presence are particularly high in the central-western and northern European metal sector, and thus, their power position within the EMF is stronger as compared to unions from countries where organisation of workers is weak (H8c).

4 Outlook: Unions' strategic responses to current crisis in the emerging field of European wage policy

The global financial crisis hit Europe in 2008 and resulted in the contraction of industrial output and a steep increase in unemployment and, as a consequence, put huge strains on public social security and tax systems. With public deficits and debt ratios reaching level unprecedented in post-war Europe, the Eurozone was on the brink of collapse in spring 2010. Up to today, the Euro-crisis is still acute, in particular in Greece, Portugal, Spain and other southern member states. Responses of the EU policy actors to enhance fiscal discipline and macro-economic policy coordination in order to prevent unsustainable public finances and imbalances in international competitiveness impacted upon trade unions' wage policy strategies. As hypothesised, economic shocks originating in external environment, increasing uncertainty and instability are important driving factors for national and European trade unions' wage policy related strategies. In this regard, EMU and the current crisis are indisputably drivers for transnational collective action and hence, for *horizontal Europeanisation*.

During the recent economic downturn however, trade unions at first withdrew from transnational bargaining coordination. Instead, they focused on securing national institutional power resources such as collective bargaining, short-time working arrangements and wage subsidies from public unemployment funds. In the crisis a further polarisation between countries where SEB and weakly coordinated MEB predominates and those countries featuring effectively coordinated MEB systems arose; only in the latter group of countries employers were able to address the consequences of the crisis via negotiations with the unions and institutional and financial support of the state (e.g. short-time working schemes, conclusion of flexible collective agreements aiming at maintaining employment by the flexibilisation of working time and work organisation and wage moderation). Depending on the depth of the crisis, the competition logic amplified in those sectors hit particularly hard, and limited the room of manoeuvre for employers to pursue coordination strategies.

With the crisis receding in some countries, such as above all in Germany, trade unions returned to their practice to coordinate wage policies across borders – however in a changed economic environment characterised by a deepening of the crisis in debt-ridden southern Europe and Ireland. In addition, and as a consequence of the economic turmoil, the Commission's heightened focus on the prevention of macroeconomic imbalances, including external imbalances deriving from a divergence in international competitiveness, is expected to amplify pressures on wages.

Existing institutions for wage policy and bargaining coordination in the European metal sector however provide a source of power and are expected to help to stabilise and support unions' unilateral coordination efforts. The revision of the EMF coordination rule and the continuation of coordination practices underscore that norms and practices to coordinate (at least unilaterally) wage policies across borders are firmly anchored in the belief systems of member organisations. Whether or not the economic downturn and mounting economic instability also enhance cooperation in wage-related policies at the level of MNCs, is an interesting question for empirical investigation.

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Annex

Table 1: Determinants of institutional strategies of national trade unions in the emerging field of European wage policy

Determinants of unions' institutional strategies	Key developments/ events over time							
<i>Developments in economic environments</i>	→ Crisis of international monetary regime (Bretton Woods)	→ 1973: First oil shock → 1979: Second oil shock → Since 1980s: increasing international competition (internationalisation of financial and product markets) → 2008: begin of global financial and economic crisis						
<i>Developments in Institutional environments:</i> <i>European policy actors</i> - <i>Regulative</i>	1972-79: 'Snake', Deutschmark as <i>de facto</i> anchor currency, 'hard currency' block Austria, Benelux, Denmark.	1979-99: EMS, stable but adjustable exchange rates of EC countries (exc. UK)	1987-1994: Completion of the Single market	1999: EMU, fixed currency system, launch of the Euro 1998: Broad economic policy guidelines including orientations for stability-, profit- and employment-enhancing wage growth considering 'differentials in productivity levels according to qualifications, skills, geo. areas'. Adopted as Council recommendations	2004-2008: EU enlargement Since 2003: revision of guidelines with stronger focus on wages, productivity and non-wage labour costs. Promoting 'right framework conditions for wage negotiations by social partners' and 'wage bargaining systems' taking into account productivity diff. Adopted as Council recommendations	2010: 'Integrated Guidelines' Europe2020, including guideline on macroeconomic imbalances: promoting the 'right framework conditions for wage bargaining systems' to ensure international competitiveness and avoid current imbalances. Concluded by Council	2010: Commission's proposal on tightening of economic policy coordination and surveillance, including instruments to monitor developments and enforce policy reforms (e.g. 'Scoreboard') Adopted as EU regulation ('Six-pack', 2011)	2011: Treaty on Stability, Coordination and Governance, aiming at further strengthening of fiscal and budgetary surveillance Intergovernmental agreement (legally binding in Euro-area)

*National unions
(unilateral
initiatives)*

- <i>Normative</i>	Late 1960s: 'DACH', trade unions from Germany, Switzerland and Austria	1970: 'Nordiska Metall', unions from Norway, Sweden, Finland, Denmark and Iceland	1993:EMF 'Principles of CB policy coordination' establishing targets for productivity-based compensation and wage distribution policy while maintaining national bargaining autonomy	1997: Transnational bargaining networks	1998: Collective bargaining coordination rule setting targets of off-setting inflation and ensuring workers' 'balanced participation in productivity gains'	2009: 'Position Paper on the Economic Crisis', listing six guidelines to secure solidarity in collective bargaining at European level	2011: Revision of collective bargaining coordination rule and goals : offset of inflation and ensure that workers 'retain <i>their</i> participation in productivity gains', reassertion of national bargaining autonomy
- <i>Cultural-cognitive</i>	Common language of Germanophonic countries, experience of cross-country interaction and cooperation in economic and social sphere, similarities in CB and economic policy practices (coordinated and centralised CB, stability and productivity-based wage bargaining)	Cultural and linguistic closeness of Scandinavia, long experience of cross-country interaction and cooperation in economic and social sphere, similarities in CB practices (wage setting centralised, coordinated across sectors, employee groups, stability- and productivity based?)	Best practice and dominance of Germanophonic and Benelux unions within EMF ('social learning'), promoting orientation towards price stability and productivity-orientation of wage settlements.	Dominant positions, perceptions and organisational identities less clear-cut, rather reconciliation of divergent positions deriving from socio-economic and cultural differences ('North-south' divide) of EMF members			

<p>Dominant institutional logics:</p> <p><i>Coordination vs. competitiveness</i></p>	<p>Late 1960s to mid-1990s:</p> <p>European policy actors:</p> <p>Coordination: Reduction of instability/uncertainty deriving from international monetary system.</p> <p>Competition: creation and completion of European common market</p>	<p>Mid-1990s (pre-EMU) to 2003 (pre-enlargement)</p> <p>Coordination: monetary, fiscal, budgetary, employment policies; pre-enlargement: support of MEB systems</p> <p>Competitiveness: EMU strengthens labour cost – productivity nexus</p>	<p>Mid- to late 2000s (Post-enlargement EMU):</p> <p>Predominance of logic of competitiveness over logic of coordination</p>	<p>Since 2008 (global financial crisis):</p> <p>Further strengthening of logic of competitiveness</p>	
<p>National trade unions:</p>	<p>1970s:</p> <p>Coordination: MEB widespread (incl. UK), market internationalisation limited; first transnational bargaining coordination initiatives in DE, AT, CH and Nordic region (highly coordinated MEB).</p>	<p>1980s:</p> <p>Coordination: cross-national (unilateral) union initiatives (Nordic and Germanophonic regions were MEB highly coordinated).</p> <p>Competition: increasing market internationalisation /Europeanisation, ‘southern-enlargement’ of EC;</p>	<p>1990s:</p> <p>Coordination: further strengthening of cross-border coordination initiatives, strongly driven by DE, Benelux unions; financial and institutional support by European unions and EU policy actors)</p> <p>Competition: Pre-EMU national social pacts for competitiveness (Benelux, southern EU)</p>	<p>2000s:</p> <p>Coordination: maintenance of transnational initiatives; strong role of German, Benelux unions, supportive effect of existing European institutions.</p> <p>Competition: national competitive pacts still widespread (Benelux, SI, southern EU?); no institutional strategies but passive conformity in eastern (and southern) EU where national institutional support is lacking (i.e. SEB dominant form of wage bargaining).</p>	<p>Since 2008 (crisis):</p> <p>Coordination: partly (temporary) withdrawal from transnational initiatives, later revived, in particular by German and Benelux unions; supportive effect of existing EU institutions and past experiences and practices.</p> <p>Competition:</p> <p>Weakening of unions’ bargaining power and capacity for action in crisis (increasing unemployment, pressure to cut costs), in particular where MEB is weakly coordinated and state support limited(southern Europe, Baltics); EU framework for Economic governance increases pressure to improve international (labour cost) competitiveness</p>

Employers (CB
coordination at
national level;
transnational
coordination
unilateral

1970:

Coordination:

Support of MEB
due *coordination*
(within and
between sectors),
competition
(keeping wages out
of inter-firm
competition),
neutralisation
(avoiding class
conflict at firm
level), *macro-*
economic (stability,
social peace) and
transaction cost
reducing functions.

1980:

Coordination: support of MEB due to
coordination and transaction cost
function.

Competition: Internationalisation of
markets renders competition function in
internationalized market sectors (within
national states) obsolete; rise of MNCs
and internationalisation of markets;
demise of demand-side economic policies
and tight labour markets weaken trade
unions.

1990-2000s:

Coordination: support of coordination
where MEB is highly coordinated, high
employer densities and participation of
employers' associations in public policy-
making firmly institutionalised (Nordics,
DE, AT, Benelux).

Competition: Further integration and
internationalisation of markets, EMU, rise
of MNCs and practice of 'coercive cost
comparisons' and threats of relocation
(*'regime competition'*). Further divide
between nationally and internationally
operating companies, and between MNCs
and SMEs.

Since 2008 (crisis):

Coordination: support of coordination
where MEB is highly coordinated, high
employer densities and involvement of
employers' associations in public-policy
making, supportive role of state to
mitigate effects of crisis (e.g. short-time
working to keep high-skilled labour,
opening clauses and flexible agreements)

Competition: increasing pressures to
reduce (labour) costs in sectors hit by
crisis.

Power resources of trade unions								
-	<i>Institutional power resources at national level</i>	High in DE, AT, CH: Highly inclusive MEB systems (sector level), high to medium-range union densities, high employer densities, widespread practice to extend CAs, highly institutionalised role of social partners in public policy making.	High: DK, SE, NO, FI: highly inclusive MEB systems (sector level), high union and employer densities, unions in DK, SE and FI administrative unemployment funds ('Ghent system'), strong role of social partners in public policy making.	High: BE, NL, LU: highly inclusive MEB systems (sector level), medium-range union densities (higher in BE due to 'Ghent system'), widespread practice to extend CAs, highly institutionalised role of social partners in public policy-making.	High: SI: highly inclusive MEB system, high (but declining) union and employer density, extension rules, highly institutionalised role of social partners in public policy-making.	Medium: FR, IT, ES, PT, GR: less inclusive MEB systems (sector level; FR company), medium-range (to low) union densities, strong role of state and often clientelistic relationship between state and social partners.	Low: BG, CZ, SK, HU, PL, RO, EE, LT, LV: SEB, company-level bargaining, limited practice to extend CAs, low union and employer densities, strong role of state, involvement of social partners in public policy making limited and highly politicised.	Low: UK, IR, MT, CY: fragmented MEB (IR, CY) and SEB, no extension rules, strong role of state and limited, ad-hoc and issue-specific involvement of social partners in public policy-making.
-	<i>Institutional power resources at European level</i>	Maastricht Treaty (1992): Strengthening of European social partner organisations, legal framework for European social dialogue (interprofessional level)	1994: Adoption of EWC directive	1995-1999: 3 social partner agreements (parental leave, part-time work and fixed-term contracts) implemented by Council Directive (later conclusion of 'autonomous' agreements, not adopted by directive)	1998: EC introduces framework for promotion of European social dialogue at sectoral level	Mid-1990s to mid-2000s: Financial and organisational support of EC and European social partners to promote (multi-employer) bargaining and social dialogue in CEECs through Structural Funds (e.g. European Social Funds)	Since 2010: Establishment of framework or Economic Governance aiming enhancing fiscal discipline and policy coordination; measures to improve international competitiveness and avoid macroeconomic imbalances	
-	<i>Structural power</i>	High for labour: Capital- and knowledge-intensive production, partly shortages of skilled labour			High for business: highly integrated international production chains, high capital mobility (dominance of MNCs, foreign direct investments)		Low for labour and business: strong competitive pressures, large production overcapacities at global level.	

- <i>Organizing power</i>	High for labour: high sectoral union densities, union presence at the workplace, share of non-standard employment small (part-time, fixed contract and agency workers, bogus employment)		High for business: high sectoral employer densities, strong presence and role in national employers' associations.				
Trade union (institutional) strategies:							
'Top-down' strategy	Since late 1960s: DACH		1993: Principles adopted by EMF in view of forthcoming EMU	Since 1997 : Inter-regional bargaining coordination networks	1998: Guideline adopted by the EMF	2009: Position Paper adopted by EMF	2011: Revised bargaining guideline and principles adopted by EMF
'Bottom-up' strategy	1970: Nordiska Metall						