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# Transnational trade union strategies towards European wage policy: A neo-institutional framework

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## Abstract

This article applies sociological neo-institutionalism to help understand transnational trade union wage policy. We review existing approaches to the role of trade unions as organizational actors in wage bargaining coordination and contrast these with the concepts of organizational fields and institutional work. Besides structural and associational power, transnational institutions are also able to increase the ability and willingness of unions to act transnationally. We draw empirical evidences from existing studies on European wage bargaining coordination in metalworking.

## Keywords

European wage policy, metal sector, neo-institutionalism, organizational fields, transnational trade union strategies

## Introduction

Many industrial relations scholars have predicted that economic internationalization, European economic and monetary integration and also managerial strategies of ‘regime shopping’ and offshoring would cause trade unions to compete rather than cooperate with their foreign counterparts, given conflicting national interests (Altwater and Mahnkopf, 1996; Hoffmann, 2002; Streeck, 1998; Streeck and Schmitter, 1991: 140) and the diversity of national industrial relation systems (Visser and Ebbinghaus, 1992).

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According to this view, eastern enlargement of the European Union would further decrease the likelihood of trade union cooperation across national borders; and wage policy seemed the least likely subject of transnational trade union coordination.

Yet well documented empirical evidence does exist of cross-national trade union collaboration (Ales and Dufresne, 2012; Erne, 2008; Gajewska, 2009; Turner, 1996), and processes of horizontal Europeanization can be found even with wage policies. However, given lack of interest on the employers' side, the Europeanization of wage policy is largely confined to unilateral initiatives by trade unions (Gollbach and Schulten, 2000; Keller and Platzer, 2003; Traxler et al., 2008). In the wake of Economic and Monetary Union (EMU), forms of transnational bargaining coordination were organized as bottom-up cooperation between national unions in neighbouring countries, notably the Doorn initiative involving the Benelux countries and Germany (Gollbach and Schulten, 2000). Subsequently the ETUC and the European Trade Union Federations (ETUFs) have developed a top-down coordination of collective bargaining involving information exchange and bargaining rules (Marginson and Sisson, 2006: 98; Schulten, 2003).

How can such cross-national collaboration be explained? The problem of collective action has been consistently addressed in industrial relations theory, with the argument that rational, self-interested actors do not act in support of their group's common interest, such as higher wages or better working conditions, unless there is coercion or some other special incentive (Olson, 1965). How trade unions can overcome the collective action problem within national borders has been explained in terms of supportive industrial relations institutions. In many Western European countries, multi-employer bargaining and the legal extension of collective agreements stabilize organized industrial relations, independently of union membership strength. And where extension practices do not exist there are often statutory incentives for unionization, such as union-led unemployment systems (Traxler and Brandl, 2009; Traxler et al., 2001).

At European level, however, there are no analogous mechanisms to sustain *transnational* collective action in wage bargaining. Supportive institutions for bargaining coordination barely exist, and European trade union umbrella organizations (ETUC, ETUFs) are too weak in relation to their national affiliates to enforce transnational cooperation. Given the pressures of national competitiveness, it is a theoretical puzzle why national trade unions should embark on transnational wage policy coordination (Traxler and Brandl, 2009: 182).

We develop a neo-institutional framework for understanding transnational trade union action, by combining institutionalist perspectives with a cultural dimension. In particular, we use the concepts of organizational field (DiMaggio and Powell, 1983; Hoffman, 1999), and institutional work – a term we use interchangeably with ‘institutional strategies’ (Lawrence and Suddaby, 2006; Lawrence et al., 2009) to take systematic account of regulatory, normative and cultural-cognitive institutions that support or obstruct transnational trade union action. In addition, we assume that unions themselves have contributed to the creation and maintenance of European normative and cultural-cognitive institutions that in turn facilitate transnational collective action. We take up Turner's important contention (1996: 338) that ‘the strategies of the actors, along with the political interaction and negotiation between different actors, appear to offer the most persuasive explanation for developing structures of cross-national collaboration’.

Against this background, we address two questions. First, is there a European field of industrial relations, and if so, what roles have trade unions played in its construction? Second, why, how and when have unions engaged in strategies of creating, maintaining or disrupting European institutions of industrial relations?

Empirically, we take a longitudinal perspective on the development of cross-national institutions of wage policy in the metalworking sector as an 'extreme case' (Ebbinghaus, 2006: 394). The metal sector possesses a high level of international product market integration, considerable trade union power and a strong position as pattern-setter in the multi-employer bargaining systems of most West European countries. We expect the history of European industrial relations in the sector to be richer and institutionally more developed than in other industries, making it an ideal candidate for study. As such, the investigation of the industry is expected to contribute to our more general understanding of opportunities and constraints of trade unions' institutional strategies at European level, and hence potential trajectories of horizontal Europeanization (Heidenreich et al., 2012).

Below we review existing literature on transnational wage policy, with a focus on the role of trade unions as potential agents in the processes of transnational labour relations. Subsequently we introduce the concepts of organizational field, institutional logics and institutional work, and then present possible explanations for actors' institutional strategies in wage policy. We next investigate whether or not an organizational field has emerged in European metalworking by reviewing the extensive literature on this sector, and then discuss the conditions under which unions adopt institutional strategies leading (or not) to the emergence of an organizational field. Finally we draw some conclusions.

## Theories of transnational wage policy

'Where does solidarity end?' asks Hyman (2002), in a response to Olson's rational-choice analysis of collective action problems. If Olson's assertion were correct, solidarity would never have existed: voluntary collective organization at national, let alone transnational level could have not occurred, because no individual actor would be willing to bear the costs of contributing to a 'public good'. A trade union can only provide the sticks or carrots which Olson considers necessary if a union already exists! A transnational policy that secures fair wages and macroeconomic balance in the euro area can be considered a public good. From a trade union perspective, it would provide compensation for price increases and guarantee workers a share in productivity gains (EMF, 1993). But from a rational-choice perspective, as noted above, transnational cooperation cannot occur.

Existing literature deals with two dimensions of cross-border wage bargaining coordination: first, the formation of more or less formalized transnational coordination initiatives by national unions and ETUFs; second, decentralized forms of (latent) transnational coordination, such as pattern bargaining, where a pace-setting agreement provides the orientation for subsequent negotiations (Traxler and Brandl, 2009: 183). Because the standards derived from the former are unilateral (union-based) and non-binding, Traxler et al. (2008: 222, 232) argue that they can hardly be effective without being buttressed by the latter.

While these studies provide convincing evidence on the macroeconomic effects of cross-border pattern-setting and the pivotal role of certain sectors and countries in transnational bargaining coordination, they do not explain *why* trade unions should be able and willing to cooperate across borders rather than pursuing competitive ‘wage dumping’ strategies (‘inverse’ pattern bargaining). Traxler and Brandl (2009), for instance, stress the importance of ‘spill-over’ processes across sectors and countries, but do not specify the social mechanism that underlies the spread of such behaviour. They also point to the importance of normative factors such as the ‘moral pressure’ exerted by the European Metalworkers’ Federation (EMF, now part of IndustriALL) by a continuous exchange of information and monitoring procedures, but do not show why national or local unions might feel obliged to comply. Indeed they assume that trade unions in smaller, export-dependent countries will pursue competitive rather than cooperative wage bargaining strategies because of their higher dependence on foreign trade: they hope that the benefits from competitive wage restraint in terms of enhanced international competitiveness will exceed the costs caused by a decline in domestic demand (Traxler and Brandl, 2009: 182).

As rational-choice theory cannot explain transnational bargaining coordination, existing literature underlines the importance of institutional and bargaining contexts, such as European economic integration, the tight monetary regime of the European Central Bank (ECB) or the coordinating capacities of national bargaining systems which provide the basis for the Europeanization of wage policies (Traxler and Brandl, 2009: 196). Cultural factors, such as imitation, benchmarking and social learning are also seen as explanations of pattern bargaining (Marginson and Sisson, 2006). However, the literature on cross-country wage bargaining coordination focuses primarily on systems of industrial relations and their macroeconomic performance rather than on the behaviour and strategies of labour relations actors. Moreover, studies that deal with transnational trade union bargaining coordination often adopt a narrow functionalist perspective and attribute strategic adaptation to economic changes in the organizational environment: ‘as markets expand. . . unions have to enlarge their strategic domain to keep workers from being played off against each other’ (Martin and Ross, 1999: 312). However, Erne (2008: 188) provides a more differentiated view, arguing that both structural and ideological factors shape unions’ strategic choices: the decision to act primarily at local, national or EU level is not determined by labour’s aims but its means. Ideologies may indeed hinder transnational action: unions that perceive European integration as a neoliberal project tend to avoid Europeanization strategies in favour of ‘renationalization’; all unions have developed a national identity which cannot easily be transcended (Pasture and Verberckmoes, 1998: 23).

Recently there has evolved a fruitful discussion on the broader role of culture in the behaviour of industrial relations actors, in particular in European Works Councils (EWCs) (Klemm et al., 2011; Meardi, 2011). Important insights are that culture is framed in structural, power-tense national and transnational spaces (Hürtgen, 2011: 301), and that its impact on behaviour can barely be understood in isolation from other, socio-economic and institutional factors. Such a combination of ‘subjective’ and ‘objective’ processes provides the basis of our neo-institutional framework below.

## Transnational trade union strategies: A neo-institutional framework

### *The concept of organizational field applied to European wage policy*

In order to understand and explain transnational collective action and its outcomes – the evolution and maintenance of institutions of transnational wage bargaining coordination – we adopt the neo-institutional concept of ‘organizational field’. Field development, according to DiMaggio and Powell (1983: 148–50), involves the aggregation of institutions within which an organization is embedded. The process of institutional definition reflects ‘an increase in the extent of interaction among organizations in the field’; ‘the emergence of sharply defined inter-organizational structures of domination and patterns of coalition’; ‘an increase in the information load with which organizations in a field must contend’; and ‘the development of a mutual awareness. . . that they are involved in a common enterprise’. Once a field becomes well established, processes of isomorphism are triggered, leading ‘one unit in a population to resemble other units that face the same set of environmental conditions’. They distinguish between three mechanisms of institutional isomorphism: coercive, normative and mimetic. In addition, fields are conceived as ‘arenas of power relations’ (Brint and Karabel, 1991: 355), where multiple field participants compete over the form of institutions that will guide organizational behaviour.

In the (emerging) organizational field of European wage policy, we can identify the following core populations of organizational actors that might constitute a field: national and European trade unions, national and multinational businesses and their associations, national and supranational policy actors. The individual populations of actors exhibit varying degrees of cross-national interaction and of mutual awareness that they are part of a common enterprise. In contrast to trade unions, most multinational corporations (MNCs) and European business associations are reluctant to engage in wage bargaining (coordination) at European level; and EWCs are too weak to enforce company-level wage bargaining, especially since the ETUFs have been reluctant to equip them with bargaining authority (Traxler and Brandl, 2009: 181).

With regard to trade unions one must distinguish between distinct sectors and countries. As outlined above, in sectors with a high intra-industry substitutability of products and locations along the international production chain (such as the motor industry), competitive pressures may induce unions in lower-wage countries pursue a strategy of undercutting their higher-wage competitors. However, a focus on conflicts of interest (central to rational-choice theory) tends to neglect that interests must be recognized, defined and unified. These are particularly complex processes, especially in the case of transnational collective interests and action (Meardi, 2011: 336). We investigate the collective action problem at transnational level by adopting a conception of interests and behaviour that accounts for distinct rationalities and the institutions within which they are embedded. Institutional factors include regulatory, normative and cultural-cognitive structures (Scott, 2008) referred to as ‘institutional logics’ (Friedland and Alford, 1991) that shape the interests and behaviour of organizational actors.

Institutional logics in the broadest sense are perceived as beliefs, conceptions and practices that shape cognitions and behaviours of organizations and hence their

structures and strategies. Behaviour based on cultural-cognitive structures can take two distinct forms: consciously adopting ideologies, benchmarks or best-practice models; and unconsciously following taken-for-granted beliefs, perceptions and practices (including a common language and shared values). Both forms of behaviour involve imitation and social learning from culturally significant others (individuals or collectivities).

In established organizational fields, as noted above, dominant regulatory, normative and cultural-cognitive institutions trigger processes of institutional isomorphic change. At national level, for instance, collective bargaining institutions differ widely across Europe. The most fundamental distinction is between systems of multi-employer bargaining (MEB) and single employer bargaining (SEB). The former system provides trade unions with institutional power resources at sector level (Brinkmann et al., 2008). While employers might not have a strong interest in maintaining bilateral collective wage bargaining, institutional pressures have shaped their behaviour towards cooperation with labour. Coercive (through the legal extension of collective agreements), normative (through strong moral pressures exerted by policy actors) and mimetic (pattern bargaining) isomorphism has induced unions and employers' associations to sustain and reproduce collective bargaining institutions at sector level. However, given the lack of regulatory and normative institutions that might induce employers to enter wage bargaining coordination at transnational level, our focus is on the possible role of cultural-cognitive institutions that might empower (or weaken) trade unions.

As regards wage policy, we distinguish between two ideal-type institutional logics, the market logic and that of coordination. According to the market logic, wages are best determined by competitive and efficient markets. The logic of coordination views bilateral wage bargaining as serving the interests of both parties to the collective agreement.

It is important to note that institutional logics are assumed to derive from broader institutional orders of contemporary societies, such as the capitalist market, bureaucratic state or democracy (Friedland and Alford, 1991: 257). While the predominance of the capitalist market logic explains the cultural-cognitive framings and behaviour of employers at transnational level, trade unions need to import alternative institutional logics from national level. The logic of coordination is closely related to institutions of democracy and participation. However, the predominance of the market logic puts pressure also on national trade unions to adopt organizational forms and practices that increase national competitiveness in internationalized markets rather than develop transnational practices of cooperation. Conformity (isomorphism) to the symbols and practices of the market logic may generate legitimacy and hence secure access to resources.

### *Institutional strategies in the (emerging) organizational field of European wage policy*

While most theories in industrial relations focus on organizational behaviour and strategic action *within* (national) institutional settings, our main concern is on institutional strategies that aim to create *new* institutions that facilitate collective action at European level. This brings us to the concept of *institutional work* or *institutional strategies*, defined as work motivated significantly by its potential institutional effects. Institutional work can therefore also be understood as physical or mental effort performed in order to

achieve an effect on an institution (Lawrence et al., 2009: 15). For instance, trade unions' efforts to create cross-border institutions which affect national processes and outcomes in wage bargaining 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.

While conventional industrial relations theory has focused on structure (Clegg, 1976; Dunlop, 1958; Ferner and Hyman, 1998; Traxler et al., 2001), since the late 1980s several industrial relations scholars have moved their focus towards 'strategic choice' (Frege and Kelly, 2003; Hyman, 2007; Kochan et al., 1986; Voss and Sherman, 2000). Frege and Kelly (2003: 12) draw on industrial relations and social movement literature (Kelly, 1998; McAdam et al., 2001) to emphasize the importance of internal structures and framing processes, in combination with institutional differences, identities and differences in employer, political party or state strategies, in shaping unions' strategic action. Although their model remained within the borders of nation-states, their findings reveal an important predictor for institutional innovation and change: the existence of powerful individual and/or collective agents.

Sociological institutionalism highlights the role of organized actors or institutional entrepreneurs, who possess sufficient resources and legitimacy to realize (collective) interests that they deem valuable (Beckert, 1999; DiMaggio, 1988). Since institutional agents (in contrast to instrumental, 'rational' actors) are by definition embedded in institutions, one must address the issue of 'enabling or hindering conditions' for institutional strategies. Until the early 1990s, trade unions have (with notable exceptions; 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. Transnational market forces neither led to a convergence of national wage-setting institutions nor to the internationalization or Europeanization of union strategies in response to economic pressures. This largely reflects unions' dependence on legitimacy provided by both their national membership and their labour market counterparts, business associations and the state, in order to secure necessary resources (financial and institutional power) for survival (Sznajder Lee and Trappmann, 2014). In contrast, *institutional* changes at European level, such as EMU or the adoption of the EWC Directive seem to induce some national trade unions to move their strategies to the European level. Thus, only in combination with changes in institutional environments do economic pressures seem to propel trade unions to engage in transnational institution-building strategies.

On this basis we suggest the following hypotheses:

*H1:* Changes in the institutional *and* economic environments increase the likelihood that trade unions will contribute to the creation, maintenance (or disruption) of European institutions.

*H2:* The greater the *power* of trade unions, the greater the likelihood that they will engage in the creation of supportive European institutions.

There are three sources of power: institutional, structural and organizational (Silver, 2003). Our focus is on institutional power. Institutional power derives from regulatory,

normative and cultural-cognitive institutions that support trade union action. Since institutions can also weaken trade union power we refer to such institutions as negative institutional power.

## **Wage policy in the metalworking sector and beyond**

The rigour of the ECB and current forms of supranational economic policy have exerted institutional pressures on national wage-setting systems to the detriment of trade union bargaining power. Given employers' opposition to any bilateral European coordination of collective wage bargaining, some unions have resorted to unilateral cross-border bargaining coordination at sector level. Here, the metal industry has acted as a pace-setter (Marginson, 2009: 64). This reflects the extent to which production is integrated across borders, its exposure to international competition and its role as pattern-setter in most national MEB systems.

Below we briefly summarize existing literature on trade union bargaining coordination initiatives, with a focus on the metal sector, over time and against the background of the EMU. However, we also take account of earlier initiatives to create cross-border bargaining coordination.

### *The evolution of transnational collective bargaining coordination*

Union efforts to coordinate wage bargaining across borders took place against the background of developments in the economic and institutional sphere. In this respect, the implementation of EMU is a key event, since it ruled out currency devaluation as an instrument to improve countries' international competitiveness, making deflation of labour costs the likely alternative. Hence although EMU originated in the external institutional environment of the field of European wage policy, it directly affected trade union strategic behaviour at national and European levels.

As EMU approached, 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. Both 'top-down' and 'bottom-up' strategies were adopted. The former concerned institutions initiated and implemented by the EMF, while the latter involved institutions established autonomously by national unions. The EMF performed a strong and pioneering role. At its Collective Bargaining Conference in 1993 it adopted a Statement of Principle on Collective Bargaining Policy; with its member organizations it 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 but leaves bargaining autonomy to the national social partners, and is thus purely voluntary in nature.

The EMF adopted its coordination rule in the light of changes in the European legal-institutional framework and their impact on the national level. For instance, Belgium enacted a law on 'the safeguarding of competitiveness' in 1996, stipulating that wage increases should remain below those in the neighbouring countries (Germany, the Netherlands and France); this is regarded as an important driving factor for enhanced

trade union coordination initiatives (Marginson and Sisson, 2006). In the late 1990s, inter-regional bargaining networks, intended to support the implementation of the coordination rule, developed rapidly through bottom-up initiatives. For instance, *IG Metall*, the two main Belgian metalworkers' organizations and the two sectoral Dutch unions established a cross-border network for exchange of collective bargaining information and negotiators (Gollbach and Schulten, 2000; Schulten, 1998), leading to strongly institutionalized bargaining cooperation. Likewise, trade unions in Austria, Bavaria, the Czech Republic, Slovakia, Slovenia and Hungary (the 'Vienna Memorandum Group') established a coordination partnership in 1999.

There had previously been a few but instructive examples of such trade union cooperation. One was the 'DACH' initiative, a multilateral network launched in the late 1960s by manufacturing and metal sector unions from Germany, Austria and Switzerland. This provided a framework for the regular exchange of information on bargaining policies and other topics, and was aimed at the coordination of union policies across borders. DACH was formally included in the organizational structure of the International Metalworkers' Federation (IMF) and, later, the EMF. *Nordiska Metall* was founded in 1970 by manufacturing unions from Denmark, Sweden, Norway, Finland and Iceland in order to coordinate bargaining, industrial and health and safety policies. From the 1990s the Nordic unions intensified their cooperation with the EMF, in particular over collective bargaining, transnational restructuring and other issues. With the accession of Sweden and Finland to the EU in 1995, *Nordiska Metall* became a regional body for the coordination of European policies within the EMF.

It is important to stress that these institutional strategies to coordinate wage bargaining across borders are *unilateral* initiatives. However, for an organizational field to emerge, it requires that all groups of actors or field populations are affected by the prevailing institutions. Evidence for interaction between employers and trade unions in the metal sector is scarce and inconclusive. Interestingly however, the rise of MNCs in the wake of market internationalization did not per se result in withdrawal by such companies from national and European employers' associations. MNCs are strongly represented in national employers' associations (Marginson and Meardi, 2010) and even more so in European associations. Presumably, the topic of wages was on the agenda of both BusinessEurope and the Employers' Organization of the Metal Trades in Europe (CEEMET, formerly WEM). There is evidence that the EMF initiative prompted CEEMET to exchange information on the development of collectively negotiated wages (Marginson and Sisson, 2006: 204), as the transnational union bargaining networks stimulated employers also to coordinate information on wage-setting. For instance, the initiatives between the *IG Metall Küste* district and the unions in Denmark led to the involvement of employers' associations in cross-border projects aiming at strengthening employment in the region (Andersen, 2006). It can also be assumed that the unions' Doorn initiative was matched by information exchange on wage bargaining among their employer counterparts in the West European metal sector.

A considerable increase in interaction in the organizational field of European wage policy between EU policy actors on the one hand, and unions and employers on the other, has resulted from EMU. The centralization of monetary policy required a further strengthening of economic, fiscal and employment policy coordination. Economic

policy guidelines adopted by the Council include orientations for wage-setting, directed to the social partners at national and European level. Furthermore, the institution of 'macroeconomic dialogue' provides a forum for European policy actors, the ECB and European social partners to discuss monetary and economic policy issues whereby wage issues are regularly on the agenda (Watt, 2006). 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 organizations, in particular since the European Commission withdrew from an active role in European social dialogue (Keller and Platzer, 2003).

## Discussion

We have challenged the standard assumption that increasingly internationalized markets lead trade unions from different countries to compete over labour costs rather than cooperate transnationally to mitigate competitive wage pressures. We asked *why*, *how* and *when* trade unions have engaged in cross-border coordination, and whether or not their institutional strategies have contributed to the emergence of a European organizational field in wage policy. By extending the theoretical definition of institutions to include regulatory, normative *and* cultural-cognitive elements we contribute to a solution to the theoretical puzzle of voluntary collective action at transnational level.

### *Has a European field of wage policy emerged?*

Growing levels of interaction and cross-border interdependency of core populations of industrial relations actors would be an important indicator for the existence of an organizational field of European wage policy in the metal sector. However, as Marginson (2009: 64) points out, there is a striking asymmetry between employers and trade unions in the predominant level of activity: while for the former this is at the level of MNCs, for the latter it has been the sector level.

The analytical distinction between two basic institutional logics, belief systems and practices of wage bargaining cooperation on the one hand, market competition on the other, and how the field populations compete over their predominant form, can help determine whether or not a European field has emerged. Among all three field populations (European policy actors, trade unions and employers) the logic of coordination tends to lose ground to the logic of competition.

Field-external developments resulted in a change in the functions of MEB for employers and employees at national level. MEB is also a key institutional precondition for the effective coordination of wage bargaining at the *transnational* level in two respects. First, from a functionalist perspective, effective coordination of wage policies across borders presupposes that wage bargaining is coordinated effectively between different sectors, industries and workers and bargaining levels at the *national* level. Second, from an institutionalist perspective, we argue that firmly-established MEB is an institutional power resource for trade unions, containing supportive regulatory, normative and cultural-cognitive elements (see Table 1). Hence trade unions in MEB systems can draw on

**Table 1.** The role of economic change and institutional power in transnational trade union initiatives.

|  | 'DACH' group  | Nordiska Metall  | EMF coordination guideline   | Transnational bargaining networks  |
|--|---|--|--|--|
| Changes in economic and institutional environments               | Crises of international monetary regime<br>Internationalization of financial and product markets<br>Coordination of monetary policies | Oil shocks<br>Internationalization of financial and product markets<br>Coordination of monetary policies | Market internationalization and EMU: centralization of monetary policy and macroeconomic policy coordination<br>European social dialogue<br>Formation of EWGs<br>Eastern enlargement of EU | EU single market<br>enhanced fiscal coordination   |
| Institutional power resources<br><i>Regulatory and normative</i> | Coordinated MEB systems<br>Extension mechanisms   | Coordinated sectoral MEB systems<br>'Ghent' systems  | Coordinated MEB systems  | Coordinated MEB systems<br>Extension mechanisms<br>'Ghent' systems   |
| <i>Cultural and linguistic</i>                                   | Common language<br>Common industrial relations institutions and practices<br>Stability-oriented and solidaristic wage policy          | Cultural and linguistic similarity<br>Strong belief in solidaristic and stability-oriented wage policy   | Dominance of Germanic and Benelux unions in EMF<br>Commonalities in national welfare traditions  | Cultural and linguistic affinities<br>Strong belief in stability-oriented and productivity-based wage policy |

Sources: Andersen (2006), European Commission (2009); Ferner and Hyman (1998); Traxler et al. (2008); Traxler and Brandl (2009).

these institutional resources and are thus more likely than unions in SEB systems to engage in transnational wage policy initiatives.

### *Under what conditions do trade unions adopt institutional strategies?*

As hypothesized, changes in both economic and institutional environments are conducive to trade unions undertaking institutional work (H1). Competitive pressures on wages resulting from the centralization of monetary policy in the eurozone have intensified, in particular in the European metal sector that is largely exposed to global competition. However, it was institutional change introduced in preparation for EMU rather than market forces alone that induced national trade unions and the EMF to embark upon a transnational approach to collective bargaining coordination.

Institutional strategies of national unions are expected to be shaped by institutional, structural and organizing power resources (H2). Our focus is on institutional power and within this type, on cultural-cognitive institutions. These are perceived as cultural beliefs, conceptions and practices that shape cognitions and behaviours and hence organizational structures and strategies.

Trade unions that first attempted to coordinate collective bargaining policies across borders – those from Germany, Switzerland and Austria and also from the Nordic region – benefited from institutional power resources at national as well as at transnational level. These include highly coordinated and inclusive MEB systems, high to medium union density levels and a firmly institutionalized role of social partners in public policy-making. As hypothesized, supportive *regulatory* and *normative* institutions at national level facilitate transnational trade union action. In the course of the 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 to other European regions (Glassner, 2009). In contrast, unions from countries that feature weakly coordinated MEB (most Southern European countries) or SEB systems (UK, Malta and most Central and Eastern European countries) and fragmented social partner organizations with weak involvement in public policy-making did not enter into such institutional work at European level.

However, we may still consider other reasons why trade union initiatives in the emerging field of European wage policy are clustering regionally, between trade unions from distinctive industrial relations regimes (as with the DACH initiative). Are there any transnational institutions that empower and shape the strategic behaviour of neighbouring trade unions? We have found evidence that both in the Nordic and in the Central-Western European region, participating unions share similarities in *cultural-cognitive* characteristics. As Table 1 indicates, certain beliefs, conceptions and practices shared by powerful actors provide a resource for trade unions' institutional strategies. For instance, a common language, sustained experience of cross-country interaction and cooperation in the economic and social sphere as well as shared beliefs with regard to collective bargaining, wages, 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 bargaining coordination rule was largely shaped by the principle of stability- and productivity-based wage determination common in Germany and Austria (and to a lesser extent also in the Nordic region) that became incorporated, via learning processes and common practice, into the belief systems of unions from other European regions.

In addition, structures and practices of transnational wage bargaining coordination that were established in the European metal sector in the course of the 1990s represent a self-created source of *institutional power* for trade unions. Institutions at European level, such as the EMF bargaining coordination rule, tend to correspond to common norms and values 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. This is the case in particular in Germany, Austria and, to a lesser extent, the Benelux countries. These basic principles, promoted via transnational peer review practices, begun to exert some degree of normative and moral pressure upon EMF affiliates.

Further implications on structural and organizational power resources for institutional work carried out by trade unions in the metal sector can be implied from the hypotheses, though we do not discuss these in detail here. The *structural power* of labour is high in the European metal sector, because of the importance, and to some extent scarcity, of the necessary skills in its capital- and knowledge-intensive production systems. The bargaining power of unions tends to be strong, and recent experience in the economic crisis indicates that the maintenance of skilled labour was the key factor for employers to enter into negotiations with unions (Haipeter and Lehndorff, 2009; Hijzen and Venn, 2011). In addition, the tight integration of companies in the sector in international production and value chains provides unions with considerable bargaining power derived from threats of industrial action: a strike in one sub-sector could bring global production processes to a halt. Whether or not this particular source of structural power is gaining importance at the transnational level, and could be an incentive for employers to enter into coordination activities with unions and workers' representatives, should be investigated in future research.

*Organizational power*, deriving from the socio-economic characteristics of members, tends to be high for metal sector unions: density rates are high in comparison to other sectors, union presence at the workplace is strong, and the proportion of non-standard employment (part-time, fixed-term contract and agency workers, bogus self-employment) is relatively small. Two implications can be drawn from the organizational strength of metal sector unions. First, density rates and workplace presence are particularly high among unions in the Central-Western and Northern European countries; thus their power position within the EMF is stronger than that of unions from countries where organization is weaker. Second, a strong presence of unions in MNCs and EWCs can be considered conducive for the transnational mobilization of workers (Sznajder Lee and Trappmann, 2014). Strikingly, a large part of transnational union action and solidarity is to be found in the metal industry and, in particular, the automotive sector (Anner et al., 2006; Erne, 2008; Gajewska, 2008).

## Conclusions

We have attempted to contribute to a better understanding of transnational collective action in the field of European wage policy. Conventional theoretical accounts such as rational-choice theory fall short in explaining cooperative behaviour among unions in highly competitive international environments. Moreover, existing institutional theorizing in industrial relations has paid rather limited attention to the social mechanisms that facilitate or hinder cross-border collective action by unions. In order to overcome these weaknesses we have developed a conceptual framework to differentiate trade union action that is confined to national borders from that which is transnational in scope. Transnational collective action in particular is assumed to hinge upon cultural-cognitive commonalities between trade unions and common understandings in wage policy.

By applying the concept of organizational fields to European wage policy we further sought to open a new theoretical and analytical approach to the analysis of processes of Europeanization. Organizational fields are empirically defined and refer to a sphere of institutions, power relations and interactions between actors. Field actors who represent the interests of labour, business and the state are endowed with various resources or power, and they are able to make use of power resources to a differing extent. By introducing the concept of *institutional work*, we attempted to explain strategies of actors that are conscious and reciprocally related to each other. Transnational collective trade union action that is pursued to create, maintain (or disrupt) European institutions of wage bargaining was the focus of our analysis. Theoretically, we have drawn on a conception of institutions that distinguishes between regulatory, normative and cultural-cognitive pillars or institutional elements. Trade unions might be able to make use of these institutions, that in addition to socio-economic and associational power, to shape (transnational) collective action. In the (emerging) European field of industrial relations we have found two opposing logics, the dominant 'market logic' promoted by transnational companies, (parts of) the European Commission and some trade unions on the one hand, and the suppressed 'logic of cooperation' which shapes the behaviour and strategies of those unions that aim to create supportive institutions at transnational level to avoid wage competition.

However, empirical findings do not support the emergence of a European field of *wage policy* in the metal sector. Employers are reluctant to engage in Europe-wide coordination of pay negotiations with European trade unions. Therefore, some experts (not necessarily trade unionists) have called for the introduction of a legal regulation that replaces the current 'optional' framework for transnational company negotiations. However, European political actors such as the European Commission do not actively support the creation of such a legal framework. Thus trade unions, in order to overcome competitive pressures on wages, have pursued institutional strategies of coordinating their own bargaining policies transnationally. Such unilateral trade union initiatives have contributed to the creation of European institutions for the cross-border coordination of wage bargaining. Trade unions were able to establish common normative principles that might shape national wage negotiations and help to avoid wage competition.

Most interestingly, transnational trade union collective action is clustering regionally. Since this pattern cannot be explained by similarities in economic conditions or

regulatory-normative institutions (such as the level of collective bargaining) alone, we have evaluated possible cultural-cognitive explanations. Besides similarities in industrial relations and welfare state traditions, we indeed found common cultural-cognitive institutions at transnational level, such as shared world-views or beliefs in cooperation rather than wage competition, linguistic proximity and a common history of cross-border interaction. This has facilitated a common understanding among trade unions from different countries, which in turn has shaped their institutional strategies. Hence transnational bargaining institutions display a significant degree of persistence over time and have been incorporated in the formal organizational structures of European trade union such as the EMF and the ETUC.

When it comes to assess these – indeed patchy and polycentric – processes of horizontal Europeanization for their potential to contribute to the emergence of a European field of wage policy, there is doubt that transnational pattern bargaining based on common wage norms will spill over to other regions and sectors. It is not realistic to assume that unilateral trade union cooperation in wage bargaining will prompt employers to negotiate wage agreements at the transnational level. Only under conditions that increase the structural power of trade unions, such as shortages of skilled labour and companies' interest in avoiding the 'poaching' of qualified workers across borders, might employers be induced to cooperate with trade unions, even without political support for the establishment of regulatory transnational institutions for collective bargaining.

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