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Institutions, Agency, and Power in European Wage-Setting

A Transnational Perspective

Abstract

Against the background of the Euro crisis, there has emerged a supranational co-ordination of wage policies that stands in sharp contrast to trade union attempts of transnational bargaining co-ordination since the late 1990s. While the former aims at institutional transformation towards market liberalism, the latter follows the principle of social protection. As a complementary perspective to current comparative political economic and IR scholarship that both analyse vertical power shifts in multi-level governance, this paper suggests a transnational perspective which picture Europeanisation as a society wide process not only restricted to politics. This can explain why some actors like the European Commission could enforce market liberalism in wage-policy surprisingly easy and fast, while trade union actors have been able to challenge orthodox worldviews and practices only under very particular circumstances.

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1 Introduction

This paper¹ addresses a scholarly debate on the trajectories of change in wage-setting institutions that has started about three decades ago when it became clear that post-war stability in capital-labour relations had come to an end and ideas of decentralisation and marketization (Thatcherism / Reaganomics) spread also the European continent (Baccaro & Howell 2011; Crouch & Traxler 1995, Ferner & Hyman 1998; Marginson & Sisson 2006). Yet the debate on whether wage-setting institutions would follow the logic of competitive markets or remain different is still unresolved. Particularly industrial relations in corporatist or co-ordinated political economies, as countries are also called if they exhibit high levels of bargaining co-ordination across distinct institutional spheres (Hall & Soskice's 2001) have faced pressures of institutional conversion and deregulation in the context of an internationalised market economy. These challenges to institutions of capital-labour cooperation have threatened labour more than (transnational) business which depends less on associational action and state support to advance its interests (Traxler et al. 2001). The debate received a new impetus with the attainment of Economic and Monetary Union (EMU) and the envisaged Eastern enlargement of the European Union (EU), when collective industrial relations in future member states had not yet fully taken shape and – with the exception of Slovenia – have followed uncoordinated and decentralised patterns (Bohle & Greskovits 2007; Kohl & Platzer 2003). Yet, against the background of the most recent financial, economic and sovereign debt crisis, the question whether or not national industrial relations institutions have converged towards a common model or will remain different and heterogeneous seems to decide upon the future of the whole single currency area. Yet the resilience of different national wage-setting institutions in the Eurozone have been found to contribute to divergent paths of nominal wage development and hence, to macro-economic and social imbalances

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that severely threaten the overall stability of the economic and monetary union as a whole (Hall 2014; Håncke 2013; Höpner & Lutter 2014).

Given these developments, European and international economic policy responses to the crises seem paradoxical at first glance in at least two respects: First, the EU's new economic governance regime that has been established since 2011 has not contributed to reduce institutional differences but to accelerate processes of institutional divergence between north-western and southern Europe. Second, the newly implemented surveillance mechanism (Macroeconomic Imbalance Procedure) sets nominal wage-related targets to tackle macroeconomic imbalances, yet it evaluates different institutional contributions to macroeconomic imbalances in an asymmetric way (Koll 2013). As wage bargaining institutions in southern-European countries have contributed to *inflationary* tendencies in wage developments these countries face severe interventions and threatened penalties. In contrast, national wage bargaining institutions in coordinated market economies in the north-west of the Eurozone enjoy comparatively high levels of social recognition and legitimacy although they have created *deflationary* pressures by keeping wages below the levels of productivity and inflation (e.g., German and Austrian competitive corporatism).

The aim of this paper is to develop an analytical concept that allows to explain Europeanisation processes in wage-setting from pre-EMU trade union attempts of transnational coordination in the late 1990s onwards. The proposed concept complements scholarly approaches that try to achieve a deeper understanding of stability and change in wage-setting institutions. With the Varieties-of-Capitalism approach (Hall 2014, Håncke 2013) it shares the assumption that the institutional differences of relatively autonomous national fields of wage-setting can be traced back to different historical trajectories in north-western and southern Europe. In line with Industrial Relations scholarship (Erne 2015; Schulten & Müller 2015; Weltz & Marginson 2014) and European integration studies (Moravcsik 1998; Fligstein & Stone Sweet 2001) it assumes (the necessity of) a vertical power shift in bargaining coordination. Yet, it differs from these approaches in that it calls for transnational orientation. Rather than viewing European and global processes as external forces that put pressure on national institutions, field-theory allows to perceive involved institutions and actors as endogenous within transnational fields of power that have opened up and restructured national industrial relations.

This paper draws on insights from sociological neo-institutionalism (Friedland & Alford 2001; Meyer et al. 1997), social field theory and practice approaches (Bourdieu & Wacquant 1996; Lawrence et al. 2009). Sociological neo-institutionalism focuses on the global diffusion of western ideas and cultural schemes, whereas field theoretical and practice approaches allow to analysing power relations, interests and institutional configurations within and beyond the borders of the nation state. Field theoretical analysis of Europe in particular that has been conducted in recent years picture Europeanisation as a society wide process not only restricted to politics (Georgakakis & Rowell 2013; Kauppi 2013; Schmidt-Wellenburg 2015). Autonomous social fields (of wage setting) are referred to as particular social spaces that have succeeded in generating their own rules of functioning, their own principles of evaluation, their own institutions, mechanisms of legitimation and recognition, their own systems of classification and, thereby their own structures of relative positions (Hilgers et al., 2015: 184). The focus of this paper is to identify institutional and actor-related processes that have opened up and restructured national fields of wage-setting. It deals with transnational power relations point to historical and contemporary struggles over distinct institutional logics² and purposes of wage-setting institutions as well as the scope of their effects.

The structure of the paper is as follows: Section 2 deals with the processes of vertical and horizontal Europeanisation and divides this paper's own approach from neo-functionalist and intergovernmental European integration theories. Sections 3 and 4 focus on institutional and actor-related mechanisms of Europeanisation in wage-setting, respectively. Section 5 presents the concept of institutional work in (trans)national fields. Section 6, on the basis of existing literature, discusses the potential contribution of the suggested concept by focusing on wage-setting institutions in the Eurozone. The last section 7 contains the conclusions.

2 Vertical and horizontal Europeanisation of wage policies

The most recent Euro and sovereign debt crises have shifted and centralised authority in wage policy particularly in relation to southern European regions to the supranational level. This happened, although according to the Treaty on the Functioning of the European Union (TFEU, Article 153.5) competencies in wage policies still lie with individual member states.

2 Institutional logics represent frames of reference that condition actors' choices for sense making, the vocabulary they use to motivate action, and their sense of self and identity (Thornton et al. 2012: 2)

Interestingly enough, the provision that explicitly ruled out that the EU shall be granted any competencies in the area of wage policy was introduced in 1991, with the Social Protocol of the Maastricht Treaty, and at the same time as the decision to launch the European Monetary Union (EMU) (Schulden & Müller 2015: 332).

The institutional dynamics that have eventually led to the Europeanisation of wage policy-coordination in 2011 might be explained by drawing on concepts of institutional neo-functionalism (Fligstein & Stone Sweet 2002; Haas 1958). These accounts draw on the explanatory power of 'spill over' processes and argue that this social mechanism has propelled processes of Europeanisation. Thereby evolving authority structures and market integration have become interlinked in a self-reinforcing system. Fligstein (2001) in particular points to the strong interrelationship between political authority and markets and emphasises that markets cannot exist without authoritative rules guiding the interactions between economic actors. Early institutional theorists in industrial relations (Commons 1909) enunciated a similar proposition that industrial relations systems tend to follow the market. As product markets expand they expected that trade unions would sooner or later have to expand their scope of activities to regain control over labour markets. Yet, supranational wage policy coordination does not entail collective labour market regulation that is transnational in scope. In contrast, it aims at dismantling collective bargaining institutions in order to increase the international competitiveness of southern European regions in the Eurozone (Weltz & Marginson 2014). While neo-functionalist approaches can explain the regulatory requirements of transnational market expansion, they have limited explanatory power when it comes to understand power relations and conflicting interests over preferred normative directions of European integration and thus, particular policy outcomes.

Among analytical approaches that perceive European integration primarily as an actor-driven political project, theories of intergovernmentalism offer the most influential attempt to explain the evolution of a European wage policy that follows ideas and norms of liberalisation. According to Moravcsik (1998) the deepening of economic integration and liberalised regulatory regimes can be traced back to the interests, ideologies and strategies represented by governments of larger member states. However, even though the two EU regulations on the prevention and correction of macroeconomic imbalances (EU 1174 and 1176/2011) included in the EU's new economic governance regime facilitate direct interventions into national wage-setting institutions, it was nevertheless approved by all 27 EU member states.

Although it would have been difficult to organise opposition strong enough to block this decision (a blocking minority is composed of at least four Council members representing more than 35% of the EU population) there was not a single *veto player* who was willing and able to prevent these laws.

This paper argues that the evolution of a supranational regime of wage policy co-ordination cannot fully be explained by a *vertical* perspective in the sense of opening the national (legislative, executive and *judicial*) systems *upwards*. A broader analytical perspective is required. In drawing on a perspective, a group of German social scientists call *horizontal* Europeanization (Beck & Grande 2007, Heidenreich et al. 2012, see also Pernicka 2015), movements, interactions, interdependencies, power and other social relations of constant boundary crossing are highlighted that in a sense permeate the wall of nation states. They perceive the analysis of national institutions as still important but insufficient to explain social realities that are transnational in scope and at the same time integral to social relations within nation states (Hürtgen 2014). From such a transnational perspective the important premise can be derived that agents, groups and organisations are embedded within broader cultural systems or institutional orders that spread across countries and regions (Friedland & Alford 1991; Meyer et al. 1997). Accordingly, this paper discusses the premise that cultural models of market liberalisation have spread across the globe since the 1980s. While political economic approaches in the debate on wage-setting institutions, especially the Varieties-of-Capitalism (VofC) framework, regard employers and employees as inevitably bound to national institutions, mentalities and strategies that are assumed to contribute to the macroeconomic imbalances outlined above, this paper argues that national configurations are also the result of transnational institutional processes and power-relations.

The way and extent to which transnational institutionalised models diffuse across the borders of national fields also depends on the dynamics and outcome of struggles over different ideas and interest at various scales. Transnational ideas and cultural models thus shape the perceptions and behaviour of actors, yet they can also be *used* as resources in social cooperation and conflicts (Swidler 1986).

In order to better understand this dialectical interrelationship between structure/institutions and action, the following sections 3-5 draw on sociological neo-institutionalism, field-theory and practice approaches to develop an own analytical concept. The main argument is that global processes of institutional isomorphism towards market imperatives have not taken

place in all fields of wage-setting in a similar way. This is due to the relative autonomy of wage-setting fields at national, sector and enterprise level. However, the crisis has contributed to changes in transnational power relations to the detriment of field autonomy in wage-setting. This is particularly true for European countries that received financial assistance from EU and international authorities. While the EU's new economic governance has the potential to deepen social integration via strengthening supranational political fields, in fact however, the strong emphasis on policies of austerity and international competitiveness has rather contributed to processes of social disintegration. Possible changes towards alternative forms and purposes of wage-setting institutions in Europe, such as demand-side coordination and solidarity, require counterforces to processes of liberalisation. Yet such counterforces cannot be generated solely by transnational organised labour. Thus, section 6 is dedicated to identifying field specific conditions and collective actors that might be able and willing to resist forces of marketization.

3 Institutional mechanisms of Europeanisation

There is a widely accepted scholarly assumption that global models of market liberalisation, deregulation of economic activities and the privatisation of former state-owned companies have also affected industrial relations (Baccaro & Howell 2011; Hyman 2015; Streeck 2010; Thelen 2014). Sociological neo-institutionalism sees the effects of these transnational social forces in conformity enhancing processes (isomorphism) (DiMaggio and Powell 1983; Meyer et al. 1997: 148). Institutions across countries and regions are expected to become more alike, because individuals, organisations, states and regions besides other objectives strive for legitimacy and predictability (Bernhard & Münch 2011; Finnemore 1996). In line with these assumptions industrial relations scholars revealed a common trend of wage bargaining institutions towards liberalism. The primacy of supply-oriented economic models have been found not just as institutional deregulation and erosion but also as institutional conversion towards new functions and purposes of wage-setting institutions (Baccaro & Howell 2011; Pernicka & Hefler 2014; Traxler 2004). Their new common purpose is to increase the competitiveness of national economies in internationalised markets. By comparison, solidaristic wage bargaining with the purpose of narrowing wage differentials and stimulating the economy from the demand side which was firmly established in post-war Western European countries have lost their normative and cultural strength (Crouch 1999). The same is true for

another core function of multi-employer collective wage bargaining, namely to reduce competitive pressures within the groups of employers and employees. The traditional goal of trade unions to take wages out of competition and to prevent downward pressures on wages might also serve those (small and medium sized) employers that cannot cope with *laissez-faire* and transnational competition. These institutional transformations towards liberalism have thus gone hand in hand with increasing domestic and international competition and a rise in inequality in most advanced industrialised countries and between labour and capital as well as within the labour force (OECD 2012, ILO 2015).

In order to understand in what way and to what extent global models of liberalism could manifest themselves in wage policies and wage-setting institutions a concept of institutional reproduction and change is required that takes into account the transnational perspective on Europeanisation that was introduced above. Field-theoretical accounts that recently have been employed to analyse the Europeanisation of societies prove particularly fruitful because they can be applied to analyse social relations within and beyond the borders of the nation state (Bernhard & Münch 2011; Georgakakis & Rowell 2013; Kauppi & Madsen 2013). Social fields are understood as relatively autonomous social spaces constituted around a particular activity (such as market activities, wage bargaining, scientific research, public policy making) and which have been constructed historically through struggles and particular power relations. From a field theoretical perspective fields of wage-bargaining are characterised by their relative degree of autonomy in relation to the state and other heteronomous forces such as market competition. Free collective bargaining (in German *Tarifautonomie*) differs in its functions and norms from market competition in that organised labour and business voluntarily negotiate and agree over wages at different levels. In contrast to uncoordinated bargaining, collective bargaining is – at least to a certain extent – based on the logics of co-ordination and co-operation of economic actors rather than on the logic of competitive markets.

Bourdieuian field concepts in particular have often been perceived as explaining the social reproduction of institutions and inequality rather than social change. This is because of their emphasis on dominant normative models and worldviews. These are assumed to have been produced via long-term processes of socialisation and institutionalisation and therefore often appear as familiar and ‘taken for granted’ (Bourdieu, 1989: 18), while power-relations remain hidden from everyday perceptions of actors. An example is provided by the ‘inevita-

ble' austerity programmes as logics of action that meets with relatively high levels of societal consensus – at least in north-western European regions – although the cuts in the provision of public services primarily affects lower social strata. Economic efficiency has become a widely accepted norm not only with respect to public budgets. To describe the contradicting social phenomenon that dominated social groups often agree on measures that maintain or even deteriorate their own position Bourdieu developed the notion of symbolic violence. Symbolic violence is viewed as 'an invisible violence contained in the self-evident nature of the existing order conveyed by schemas of thought supported by language and institutions' (Poupeau, 2015: 214). It is similar to the Marxist idea of 'false consciousness', whereby people internalise the discourses of the dominant, meaning 'the most intolerable conditions of existence can so often be perceived as acceptable and even natural' (Bourdieu 2001: 1). This makes it hard for collective actors departing from relatively weak (economic, social, cultural and symbolic) power positions to challenge dominant (orthodox) social views and practices and to reframe social problems in an alternative way of thinking (heterodox ideas). In contrast, powerful actors who draw on dominant cultural models often politically perpetuate and enforce their understanding of how institutions should look like surprisingly easy and fast.

This insight in the (re)production of social structures might allow us to better understand why European policy makers have succeeded in enforcing supranational wage policies that follow dominant worldviews of austerity and neoliberalism. In addition, the notion of symbolic violence provides us with a dual perspective on power relations in the social world. It emphasises that dominated classes themselves contribute to their own domination yet, it also opens up room for manoeuvre in the sense that an increase in the knowledge of the mechanism of domination can constitute a condition of social emancipation (Poupeau, 2015: 217).

4 Actor-related mechanisms of Europeanisation

Field concepts emphasize the relational and historical character of power and domination. A 'relational mode of thinking' means that the social world is seen as relations rather than as substances (Bourdieu, 1989: 15-6). A relational mode of thinking combines two views on the social world, the objectivist (structuralist) and subjectivist (voluntarist), which are seen as

standing in a dialectical relationship. In order to gain a deeper understanding of the relationship between social structure and action, as pointed out by Bourdieu, social science must take as its object both, the reality and the perceptions of this reality, the perspectives and the points of view which, by virtue of their position in objective social space, agents have on this reality (ibid.: 18). A relational approach of power should therefore depart from a two-fold analysis: 1) the analysis of the objective social structures in which individuals and collective actors have particular positions that grant them access to more or less power; and 2) the analysis of the subjective perceptions and views of the social world adopted by them. For instance, from the observation that transnational business and local labour are characterised by asymmetric structural positions in social space and thus, unequal access to power, it cannot be logically inferred how capital and labour representatives will perceive their (lacking) power sources and will respond to this relation, respectively. While particular structural positions might increase the probability of certain worldviews and behaviour however, it should be complemented by the analysis of subjective positions takings.

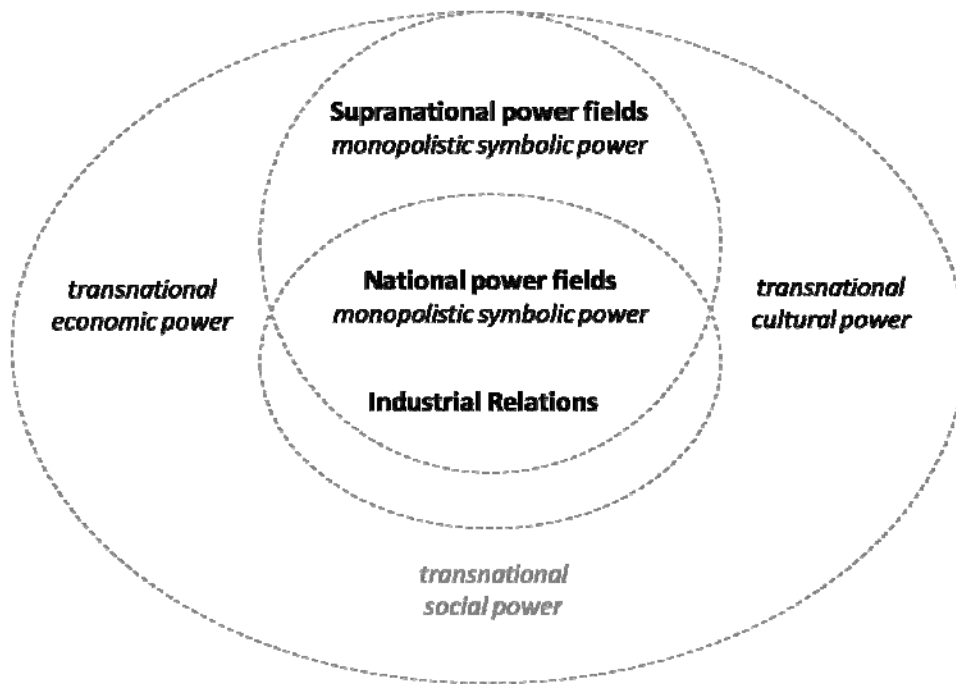
From a relational perspective power is not understood as an individual or organisational property but a relational social resource (Weber 1980; Dahl 1957; Lukes 1974). With the focus of this paper on power as means to create, maintain or disrupt institutions, it is important to distinguish between two aspects of power which are referred to as 'power over' and 'power to' (Parsons 1960; Mann 1990). The notion of 'power over' is used to describe power as means to dominate and repress actors: actor A influences actor B to do something that she or he might otherwise not do. This so called 'zero-sum' aspect of power means that the power actor A has in a system is necessarily and by definition at the expense of actor B. However, as Weber (1980, and later most prominently Burawoy 1979) already pointed out, domination as the more nuanced notion of power is based on a mixture of habit, expediency and belief in its legitimacy by the dominated who obey to a command. With the above introduced Bourdieusian notion of symbolic violence it must additionally be taken into account that the dominated tend to contribute to the maintenance of the relations of dominance. The second aspect of power, 'power to', emphasises the individual or collective capacity to influence or change the visions of the world and the practical operations by which groups are produced and reproduced (Bourdieu 1989). The notion of 'power to' is closely intertwined with the notion of 'power over' because the former requires as a prerequisite at least some share in the latter.

Concerning the renewal of trade unions, Lévesque and Murray (2010: 335) points to the importance of power resources and capabilities over which unions have a degree of control to increase their capacity to act. They suggest particular resources (internal and external solidarity, strategic and discursive capacity, infrastructural resources) and capabilities (framing, learning, intermediating, articulating) that in an appropriate mix increase trade unions' power to bring about significant effects (ibid.: 345-6). This paper agrees with these authors on the importance of these resources to trade unions, however, in following Bourdieu it suggests to disentangle the different power resources (economic, cultural, social, field-specific power) and relate them to the relative positions of business, political authorities and other actors in social fields. Thus, this paper sees a relational view of power as a precondition for a deeper understanding of industrial relations actors' (perceived) power resources and their intention – as a measure of emancipation – to maintain or change institutions of wage policy.

The following figure 1 below depicts a rough picture of (potentially) recognised power or capital³ in transnational social space that relate in one way or another to wage-setting fields. The struggles over the control of the values (or 'exchange rates') and social recognition of the different forms of power are conceived of as taking place in what Schmitz and Witte (2015) called 'global field of power'. This global field of power is structured by powerful transnational groups, organizations and other collective actors and is further differentiated into sub-fields such as national and European fields of power.

Figure 1 Industrial relations fields in the global field of power

3 Bourdieu (1986) used the terms capital and power interchangeably. He distinguished four types of capital, economic, cultural, social and symbolic. Besides these types of capital in social space there exist field-specific power relations. As has been mentioned above relative autonomous social fields reproduce their own structures of relative positions and stratification. In the academic field, for instance, academic prestige and scholarly knowledge provide field-specific resources of power that are characterised by their relative autonomy from economic and social power. The emphasis is on 'relative' because the reproduction of the academic field (and similarly, fields of collective wage bargaining) is contingent on external material and symbolic support by the state or other institutions.



Within the global field of power and due to their ruling capacity in a number of highly important fields in relation to industrial relations supranational and national political fields can be seen as relatively autonomous meta-field(s) of power. The term 'meta' refers to its monopolistic symbolic power position that enables them to enforce and shape institutions (regulations, norms, cultural understandings) in fields that fall under their jurisdictions (Bourdieu & Wacquant 1996: 142). The EU meta-field of power in particular has concentrated executive, judicative, legislative and financial (European central bank) power over the last decades, while national parliaments have been weakened. Against the background of the current crisis European executive authorities – in other words, the European Commission and the European Council – as well as certain national governments of large countries have been strengthened in relation to both, the European and national parliaments (Schulten & Müller, 2015: 331). Around this European power centre new groups and institutional structures have been formed (Kauppi & Madsen, 2013: 9). These include transnational networks and associations, business lobbies, trade unions and professional groups with various sources of power, ranging from economic power (e.g., European round table of industrialists) and cultural power (e.g., consultancy and professional associations) to social power (e.g., networks of labour unions and social movements). Meta-fields of power do not only (re)shape and structure other social fields within their formal jurisdiction. In fact, boundaries of a field lie where

its effects end. Thus, the EU field is neither limited by its geographic space nor by its scope of jurisdiction. At the same time the global field of power and actors herein (e.g., International Monetary Fund, International Labour Organisation, Multi-National-Companies) have their effects on European and national fields.

Industrial relations are located within national meta-fields of power indicating the tight interrelationship between macroeconomic policy and labour relations. The autonomy of wage-setting institutions has always been relative, because organised labour in particular depends on state support to establish collective institutions of wage-setting. According to conventional power resource theory (Korpi 1983, 1989) labour power is based on both, the organisational power of trade unions and the relative strength of labour's political allies, especially social democratic political parties. In contrast, business can rely on economic power by controlling the means of production and investment to enforce its interest relative to labour and the state. However, while markets and business relations have expanded transnationally, collective wage bargaining still takes place mainly within nation states. This is due to the fact that supportive institutions for cross-national wage bargaining coordination do not exist, and employer's associations are reluctant to embark on transnational coordination of national wage bargaining. On the side of organised labour, European trade union umbrella organizations (ETUC, ETUFs) are too weak in relation to their national affiliates to enforce transnational cooperation. Thus, attempts to coordinate autonomous wage bargaining transnationally have been largely confined to unilateral initiatives by trade unions in a few sectors, so that their overall effects on the behaviour of wage bargaining actors are rather limited (Pernicka & Glassner 2014).

The following subsections present the four fundamental forms of capital or power suggested by Bourdieu. It is noteworthy that Bourdieu dealt with positions in (national) social space which are occupied by individuals rather than collective actors. Therefore the following descriptions somewhat deviate from his original contribution. In addition to the more fundamental forms of economic, cultural, social and symbolic capital, Bourdieu pointed to the role of field-specific forms of power. The last subsection thus refers to them.

4.1 Transnational economic and cultural power

While the possession of economic capital provides its holders with the power to control the means of production, the capital-labour relationship is necessarily contradictory and involves

open or hidden conflicts over the distribution of profits derived from production processes. There exists certain structural conditions under which labour is able to restrict the control of capital owners is strengthened. In industrial relations research this structural conditions are referred to as structural power (Silver 2003). Structural power in relation to business is, for example, greater in times of low levels of unemployment and the scarcity of particular occupational skills.

In comparison to structural power, normative and cultural ideas seemingly provide more sustainable resources to labour. The focus of this paper on institutional stability and change in wage-setting in particular requires a closer look at transnational cultural power. With the increasing involvement of private or non-state actors in political governance, professions as knowledge producers and knowledgeable practitioners have gained in importance (Bourdieu 2014; Büttner & Mau 2014; Schmidt-Wellenburg 2015). Sociological neo-institutionalism points to their role as so called 'disinterested cultural others' and their authority in (re)producing and enhancing particular models that define and legitimate agendas for local action while delegitimising others (Meyer et al. 1997; Meyer & Jepperson 2000). Economists of the orthodox Chicago School and related European scholars in particular have received high levels of legitimacy and authoritative strength within academic economics over the past four decades (between 1969 and 2010 49 out of a total of 69 Nobel prizes were received by U.S. American economics, of whom ten economists taught at the University of Chicago). The economic orthodoxy in turn impacts upon European and national economic policy making via the role of experts and professions. They play a dominant role within think-tanks and consultancy organisations which regularly give their advice to international and EU decision making bodies (Bernhard & Münch, 2011: 173). At the same time academic economics has been found to replace the legal sciences in many fields to become the dominant source of national and supranational bureaucrats (Fourcade 2009).

Cultural power is henceforth understood as normative ideas and worldviews that are incorporated in institutions and practices of wage-setting and hence, (re)produced by dominant and to a lesser degree by dominated actors (symbolic violence). Besides orthodox views of the social world, there exists other, more repressed and sometimes conflicting belief systems and practices (Thornton et al. 2012). These can provide actors with either positive or negative cultural power resources. An example of how cultural power resources impact on transnational trade union action is presented elsewhere by the case of cross-national trade

union coordination in wage bargaining (Pernicka & Glassner 2014). One key finding is that transnational trade union collective action is clustering regionally. Besides differing national regulations (the existence of extension mechanisms, etc.) cultural and normative variation was found as an explanation for this pattern. Common welfare state traditions, shared world-views and beliefs in cooperation rather than wage competition, linguistic proximity and a common history of cross-border interaction apparently empowered and enabled trade unions in Nordic and Central-Western European regions to closely interact and establish cross-border norms of cooperation. These findings partly correspond with results of a study by Larsson (2014) about attitudes of trade unionists towards transnational action. While Larsson found similar regional patterns, Nordic countries seem to partake less in European demonstrations and boycotts than in technocratic wage bargaining coordination.

4.2 Transnational social Power

A relational perspective on transnational social capital requires an understanding of the processes by which the value of social capital is produced, a process that occurs through the formation and reproduction of concrete social network ties (Emirbayer & Johnson, 2008: 3). Transnational social capital generated by national and European trade unions in wage bargaining coordination in particular demonstrate the importance of Bourdieu's basic assumption that capital does not function except in relation to a field (Bourdieu & Wacquant 1996). Since transnational organised business is not willing to embark on cross-national wage bargaining coordination with trade unions the social networks of the latter are of limited effect. An autonomous transnational field of collective wage bargaining coordination does not exist and cannot be enforced by trade unions alone (indicated by a lighter colour in figure 1, see also symbolic power below). However, transnational networks, norms and practices can be used as resources (or repertoires of contention, Tilly 2006) in future conflicts in transnational fields of power.

4.3 Transnational symbolic power

Symbolic power provides a key concept for the analysis of struggles over the dominant logic of wage-setting, because social groups and organisations that intend to maintain or change existing institutions (world views, norms and regulations) need sufficient recognition of their (potential) power resources. From a field theoretical perspective the relative significance of

particular means of power depends on their legitimacy. In other words, the potential effects of any power vary according to field-specific symbolic orders (Friedland & Alford 1991). For instance, military power is not accepted within industrial relations fields in contemporary advanced capitalism, but might receive legitimacy within particular fields of international relations. Another example refers to social power of labour that has been generated via organising transnational strike action. This important trade union power resource received social recognition as a fundamental European right through the landmark decisions of the ECJ in the Viking and Laval cases in 2007. At the same time, however, transnational labour power was weakened in relation to economic power, because the ECJ determined that the right may nonetheless be subject to limitations to ensure the protection of other fundamental EU freedoms (freedom of capital, goods, etc.) (Fabrini 2012: 1201). The latter example in particular shows that the sources of symbolic power that Bourdieu (1989: 23) defines as the *power of consecration* or *power of constitution* (here possessed by the ECJ) itself needs sufficient recognition and authority acquired by previous struggles. Thus, (nation) states and supranational authorities in particular are perceived as fields with high levels of symbolic power and the ability to shape other social fields (see above).

4.4 Field-specific power

As has already been outlined, social fields are characterised by their relative autonomy in relation to heteronomous forces or field external principles of domination. They have generated their own rules, institutional logics of action and power resources, such as political power in political fields, social power and network ties between labour and capital in fields of wage bargaining. Even if social fields must also be seen as battle fields in which conflicts arise between agents over the distribution of material and symbolic values, social field participants at least to a certain degree consciously or unconsciously share the belief that the 'game' is worth playing ('illusio'). Bourdieu (2001) refers to this taken-for-granted rules, functional mechanisms and forms of knowledge and action as 'doxa'. Frequently there exist regulative institutions that have been established over time to reinforce field autonomy and hence, the doxa of a field. Examples refer to wage bargaining autonomy granted to organised labour and business or mechanisms of the extension of collective agreements. More tacit forms of institutionalised norms and cultures can be found in decentralised wage-setting coordination, when a pace-setting agreement in one area provides the orientation

for subsequent negotiations (so called 'pattern-bargaining'). Contingent on the strength of these supportive regulatory, normative and cultural institutions actors are expected to be willing and able to defend field autonomy. As such field specific institutions provide a certain degree of power (i.e., institutional power) to field participants that can also be used in field external struggles.

Against the background of these considerations, the question arises of how distinct fields and specific power resources relate to each other. Since many social fields (such as company fields, sector fields, national fields, European fields, etc.) are embedded within more encompassing similar fields, actors within one field (say at the national level) can supply much needed capital (power) to actors in homologous (i.e., similar) positions within other fields (say at the level of MNCs) (Emirbayer & Johnson, 2008: 21). Given the relative autonomy of fields this occurs in mediated fashion rather than directly. Although not directly related to wage-setting issues, the transnational company field of Volkswagen (VW) presents a well-researched example in which regulations (the German VW law), firmly established norms and cultures of social partnership as well as a strong Works Council in the German national field have facilitated cooperation between organised labour (European Works Council) and management in transnational fields (Pernicka et al. 2015).

5 Institutional work in (trans)national fields

While neo-institutional literature (in contrast to Bourdieusian accounts) lacks an own conception of power, some more recent accounts provide extremely fruitful ideas on the dialectical relationship between structure and agency (Lawrence et al. 2009; Lawrence & Suddaby 2006). The concept of institutional work in particular allows to better understand not only the effects agency can have on institutions and social structures more generally, but also the *intentions* of agents to create, maintain and disrupt institutions that are considered legitimate within a field. As outlined above, the degree of purposive action of trade unions can provide a measure of emancipation from existing structures of domination and hegemonic world-views. From a relational perspective, however, the degree and direction of intentional activities must again be seen as contingent on existing power relations. In this paper two subtypes of institutional work, boundary work and practice work (Zietsma & Lawrence 2010), prove particularly fruitful to illuminate various trade union attempts to establish or maintain practices of wage-setting.

Developments in Germany since reunification provide a telling example of labour representatives' activities and their intended and sometimes unintended effects. Declining collective bargaining coverage, a decrease in trade union membership and labour market reforms hit service, temporary and solo self-employed workers more than core workers in manufacturing. In manufacturing traditional practices of wage bargaining co-operation have been largely sustained by labour and capital to achieve moderate and internationally competitive wages (Hassel 2014). Workers' representatives are often accused to have formed producer coalitions with management in export-oriented firms rather than attempting to generate inclusive solidarity among all workers. According to a study conducted by Hassel & Schiller (2010, cited by Hassel 2014: 70) '[m]anufacturing firms, with the tacit support of their works councils supported firms in service industries that lobbied for more liberal employment rules for non-core segments of the workforce. When the German government pursued activation strategies on the labour market, core firms and core workers did not veto the proposed measure of liberalization' (Hassel 2010: 59). While these examples provide evidence of institutional work by business and a lack of resistance by labour representatives that in turn created and maintained boundaries between different groups of workers, it remains an open question under what conditions agents actually pursue or refrain from particular forms of institutional work. From a relational view we need to take a closer look at existing power resources and the perceptions and world views that labour representatives and business actors take. From such a perspective it might come to the fore that labour representatives' views and behaviour are still deeply rooted within field-specific legitimate practices, although the boundaries of the field have changed to the detriment of an ever growing proportion of labour which is no longer covered by collective agreements. From their point of view it might seem plausible that labour representatives draw on symbolically recognized power in (shrinking) wage bargaining fields to maintain and improve wages and working conditions at least for their core constituencies. Even if labour representatives in the strongholds of export-oriented industrial manufacturing were willing to represent workers at the fringes (especially temporary agency or self-employed workers), they might lack symbolic and social (membership) power to do so.

6 Wage-setting institutions in the Eurozone

In this section we discuss the conditions required to engage in transnational institutional work. It investigates whether or not institutional and actor-related mechanisms provide support or impede institutional actors' attempts to maintain, change or disrupt wage-setting related institutions in Europe. The empirical focus of this section lies on the 'heartland' of the Eurozone, consisting of national fields of wage-setting in north-western and southern Europe. The aim is to identify possible coalitions of actors which might be able and willing to cooperate in any resistance to the forces of marketization in European wage-setting.

The underlying idea is that actors that occupy dominated positions in different fields might share an interest in alternative institutional logics of wage-setting. Yet, the homology of their (dominated) positions does not necessarily mean that they are also similar in regard to their overall identities, i.e. their possession of characteristics which mark individuals or organisations as members of a group. The coalition of actors in similar positions in different fields can rather be viewed as based on an awareness of common interests which are best pursued collectively (Hyman 2001). An example for this can be derived from Austria when a coalition government of the populist right-wing Freedom Party (FPÖ) and the conservative People's Party (ÖVP) which was in office from the years 2000-2006 challenged the compulsory membership of business firms in the Austrian Chamber of Commerce. The government was hostile towards concertation and FPÖ even restated their long-standing demand to abolish compulsory membership in the Chambers (Tálos & Kittel, 2001). The abolition of mandatory membership in the Chamber of Commerce which provides the basis of the broad bargaining coverage of almost 100 percent of private sector employees would have meant a severe disruption of collective bargaining autonomy. Both sides of the capital-labour relationship and, most interestingly, the president of the Chamber of Commerce, in particular, opposed proposed reforms directed towards a more pluralist model of interest representation (Pernicka & Hefler 2014). It is less surprising that the Austrian Federation of Industries which organises the interests of large industrial corporations of which the majority operates across national borders was in favour of the abolition while small and medium sized companies might have – viewed from their dominated position in economic fields – perceive collective wage bargaining as important means to prevent ruinous wage competition and to secure domestic demand for their products and services.

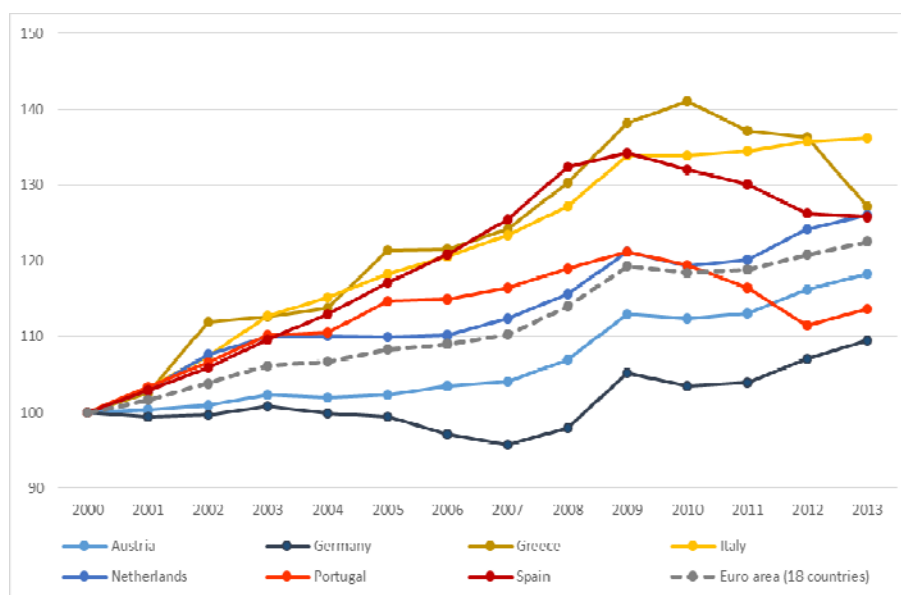
This example illustrates a type of social solidarity among mutually interdependent individuals, social groups and organisations in modern, functionally differentiated societies Durkheim (1893) referred to as organic solidarity. It is based on common interests rather than on common class, group or national identities which might provide the basis of mechanical solidarity. However, both types of solidarity do not evolve naturally and depend not only on the positions and position takings of actors. Rather, (transnational) solidarity is generated and maintained by institutional work.

In order to identify actors which might have an interest in joining forces to resist processes of liberalization in wage policy this paper has argued that it is not sufficient to look at each of the varying national fields separately. National fields must rather be analysed as structured by power-relations and institutions in wider transnational fields and within the global, European and national fields of power.

In terms of economic power we start by following Hancké's (2013) rational materialist conception derived from Varieties-of-Capitalism literature and his contention that the Eurozone is made up of two very different systems of employment and labour relations, roughly coinciding with 'coordinated market economies' in the north-west of the continent and 'mixed market economies' with relatively low bargaining governability between industries in the south. Against the background of a relatively restrictive *one-size-fits-all* monetary policy of the European Central Bank these institutional differences systematically improved the competitiveness of coordinated economies (such as Germany, Austria, the Netherlands) while mixed economies (such as Portugal, Italy, Greece, Spain) lost competitiveness in parallel. This development is explained by two heterogeneous trajectories in north-western and southern EMU member states: (1) the exposed sector path in north-western Europe, where producer coalitions have had sufficient power to contain excessive wage demands, and (2) the sheltered sector path where relatively powerful trade unions in the public sector took the lead and fuelled wage increases and thus, inflation above overall productivity (Háncke 2013: 97). The macroeconomic imbalances that resulted from the two different logics and purposes of wage-setting inherent in these path-dependent developments (export-led strategies in north-western Europe vs. demand-led strategies based on the then relatively low borrowing costs in southern Europe) could not be tackled by usual means. With the implementation of EMU currency devaluation was ruled out as an instrument to improve countries' international competitiveness. And 'because the ECB had to operate on a common

monetary policy, it could not dampen down inflation in the south without stalling growth in the north' (Hall 2012: 360). Given the institutional divergence of wage-setting regimes and the absence of national currency devaluation means unit labour costs of southern and north-western European economies drifted apart significantly since the beginning of EMU. Unit labour costs are calculated as the ratio of total labour costs to real output and represent a direct link between productivity and the costs of labour used in generating output. Thus it is an important indicator to measure a country's relative competitiveness in terms of labour costs (see figure 2).

Figure 2: Change in unit labour costs since 2000



Source: Eurostat 2015

Most importantly, institutional divergence in wage-setting institutions have not only impacted upon unit labour costs, but also determined and reinforced patterns of relative economic and financial strength of particular national fields vis-à-vis others. Countries in north-western Europe have benefited from policies of wage restraint. They could improve their relative competitive position and increased their goods and services exports in relation to countries in southern Europe. Small differences between the two groups of countries at the start of EMU were accentuated and, against the background of an almost closed economy (EMU member countries trade less than 10 per cent outside the EU) accumulated current account surpluses while GI(I)PS (Greece, Italy, Ireland, Portugal and Spain) ran into severe balance of payment problems in 2010 and 2011 (Háncke, 2014: 91; Scharpf 2011).

Figure 3: Current account balance in percent of GDP

Source: OECD 2015

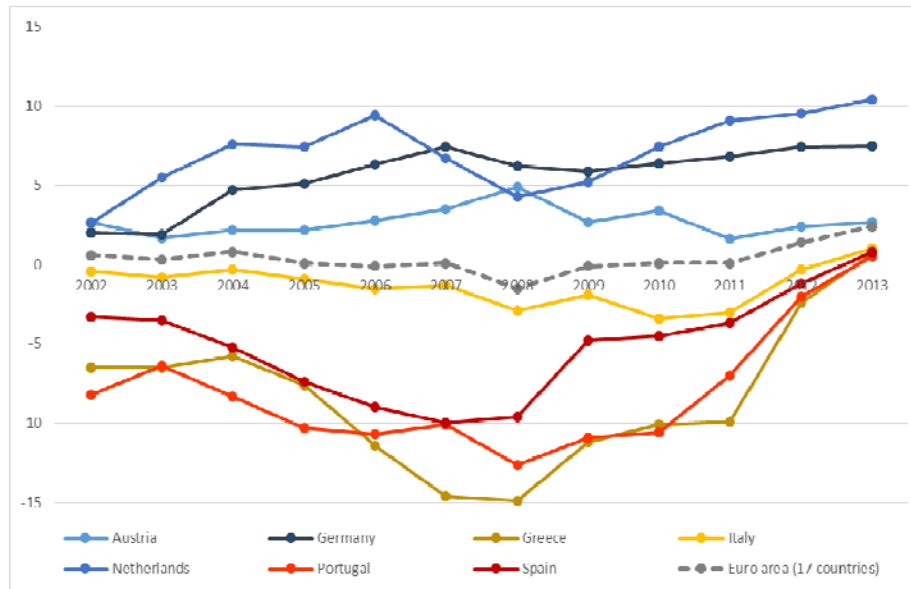


Figure 3 presents the current account balance of countries in the two EMU regions over time⁴. It is no coincidence that relative economic and financial powers of north-western European countries closely correspond with symbolic and political power in transnational European space. Institutions of wage-setting in these countries reflect hegemonic worldviews and supply-side economic models, while institutions in southern European countries have largely lost their legitimacy. With the introduction of the EU's economic governance regime, and particularly the Macroeconomic Imbalance Procedure (MIP) wages and wage-setting institutions have come under the surveillance of the supranational regime. While formally respecting the autonomy of member states concerning wage-setting, the MIP includes commitments to ensure that wages increase only in line with productivity and to monitor and benchmark trends in unit labour costs (Marginson & Wetz 2014: 28). It comes as no surprise that within MIP a threshold is defined for three years percentage change in nominal unit labour cost (which currently – August 2015 – lies at +9 per cent for Eurozone countries) that threatens to punish inflationary tendencies but leave deflationary tendencies unmentioned. The symbolic asymmetry is also reflected in the effects of EU- and international level policies on national wage-setting institutions. While wage-bargaining institutions in southern EMU members (Greece, Portugal, Spain) that received financial assistance have undergone the most extensive changes, wage-setting institutions in northern European fields of wage-

⁴ The current account balance is defined as the sum of the balance of trade (goods and services exports less imports), net income from abroad and net current transfers. A positive current account balance

setting (Austria, Germany, the Netherlands) remained largely intact. This is particularly true in relation to changes in the number of collective agreements which significantly declined in Spain and Portugal (*ibid.*).

Given these transnational economic, political and symbolic power asymmetries the decisive question remains under what conditions collective actors might be willing and able to contribute to the reinforcement or change of wage-setting institutions in Europe. According to the analytical concept outlined above, own position takings and behaviour are primarily determined by predominant institutional logics and power-relations. We argued that the evolution of supranational wage policies results from the interplay of diffusing global models of liberalism (institutional mechanisms) and particular configurations of power (actor-related mechanisms). The banking and sovereign debt crises have facilitated the shift of power over wage policy from national to European fields of power and in turn widened the windows of opportunity for institutional work. Struggles in the European and national fields of power contributed to processes in which formerly relative autonomous fields of wage-setting have become structurally and symbolically Europeanized. These processes have also revealed potential coalition partners in struggles for alternative forms and purposes of wage-setting institutions. In supranational fields of power actors within the European Commission, for instance the DG for Employment, Social Affairs and Inclusion (EMPL) as dominated in relation to the DG for Economic and Financial Affairs (ECFIN) might come to the fore. While DG ECFIN commissioners have been found to be more often recruited from liberal and conservative parties, more interventionist DGs such as EMPL have often been headed by social-democrats (Hartlapp et al. 2014: 51). The increasing importance of experts and professions in policy making and political governance has empowered transnational cultural fields. Peripheral scholarly fields such as heterodox economics and economic sociology are characterised by their dominated positions within the social sciences vis-à-vis the supremacy of orthodox economics (Fourcade et al. 2015). However, their similar social composition and world views that tend to deviate from orthodox ideas might provide a bridge to transnational labour-relations fields. And in those fields that still have intact boundaries at national, sector or enterprise levels, even business actors might be able and willing to resist forces of marketization of the labour-capital relationship. The above outlined example of the Austrian

indicates that the nation is a net lender to the rest of the world, while a negative current account balance indicates that it is a net borrower from the rest of the world.

Chamber of Commerce which defended wage bargaining autonomy against political attacks by a right-wing conservative government demonstrates the strength of institutional mechanisms in fields with intact boundaries. Austrian trade unions and business associations still negotiate on equal footing despite large economic power asymmetry

However, field analytical conceptions also allow to identifying the limitations of institutional work that is directed towards the creation and maintenance of solidaristic institutions of wage-setting. To stay with the example of Austria, solidarity in wage related issues within national and sector fields do – with the exception of trade unions in metal working – barely translate into transnational work aiming at more inclusive forms of solidarity. The same is true for German fields of wage-setting. There exists a wide range of field boundaries that divides social groups and trade unions particularly in the services and manufacturing sectors. Wage setting institutions in export-oriented metalworking differ from low wage services sectors, and core workers with standard employment relationships fall under the purview of different wage regimes than temporary workers and dependent self-employed. With respect to their dominated positions in national fields, workers in low-paid jobs and unemployed people share homologous positions across national fields in northern and southern European countries. Yet they can neither be expected to share the same perceptions, interests and world views nor to participate in common struggles for more inclusive forms of solidarity. The break-up of inclusive coalitions in wage-setting regimes of north-western European countries have rather drawn low-income voters away from the left and have provided the right with a de facto coalition partner (Iversen & Soskice 2014).

7 Conclusions

This article has suggested a field-theoretical conception of the Europeanisation of wage-setting institutions. The concept complements scholarly approaches that try to achieve a deeper understanding of the processes of convergence and divergence in wage-setting institutions. With Varieties-of-Capitalism approach (VofC) field-theoretical concepts share the assumption that institutional differences in relatively autonomous national fields can be traced back to historical trajectories. These in turn have contributed to macroeconomic imbalances in the Eurozone and hence, a shift of competencies from the national to the supranational level. Yet our own conception differs from VofC in that it calls for transnational orientation. Autonomous social fields of wage-setting often do but not necessarily have to co-

incide with the borders of nation states. The growing institutional heterogeneity within national fields of wage-setting, the processes of European integration in wage policy and the increased importance of global cultural models and transnational economic capital require an analytical perspective that goes beyond 'methodological nationalism'. Formal as well as more tacit forms of wage-setting and bargaining coordination (i.e., pattern bargaining) involve institutions and actors at multiple scales (local, national, sector, enterprise, transnational, etc.) and with different social and territorial interdependencies.

We have argued that a transnational perspective also allows a broader understanding of the ways how global models of liberalisation have been processed in supranational and (trans-)national fields. Rather than viewing global processes as external forces that put pressure on European and national institutions, field-theory perceives transnational institutions and actors as endogenous within a global field of power. While the two classical approaches to European integration, Neo-Functionalism and Intergovernmentalism, provide important insights into institutional mechanisms ('spill-over'-processes) and actor-related mechanisms (interests, ideologies and strategies of larger member states) of Europeanisation processes in wage-policies, they do not take account of wider societal processes in explaining them. Hence, they cannot explain the overall dominance of liberalisation models in wage policies over alternative institutional purposes such as solidarity and demand-side coordination. By comparison, field-theory allows to perceiving institutional configurations as outcomes of historical and current struggles over distinct institutional logics and purposes of wage-setting institutions.

This brings us to the analysis of the interrelationship between institutions and actors. While VofC perceives the mentalities, interests and strategies of actors as inevitably bound to national institutions, field-theory emphasises the relational character of worldviews and behaviour. Contingent on their relative power position in transnational social space, actors are asserted to view the social world differently. Thus, perceptions of actors in dominant positions and orthodox worldviews very often correspond to each other. This explains why powerful actors in fields of wage-policy have been able to enforce their understanding of how institutions should look like surprisingly easy and fast. European policy makers have succeeded in enforcing supranational wage policies that follow dominant worldviews of austerity and neoliberalism. By comparison, for collective actors that depart from relatively weak

(economic, social and symbolic) power positions it is hard to challenge orthodox views and practices and to reframe social problems in an alternative way of thinking.

In our analysis of European institutions of wage-setting in the Eurozone we have argued that a solidaristic wage policy cannot be enforced by trade unions alone. Even if they succeeded in generating transnational social capital they would have to find allies that occupy homologous positions in other fields. However, what seems even more important is the question of how labour actors might overcome their own structural and cognitive boundaries. Their attempts to create and reinforce solidaristic wage-bargaining institutions in times of crisis and high levels of unemployment is often limited to very narrow fields of exclusive solidarity. German 'producer coalitions' provide an example, where labour actors themselves have contributed to unleash wage competition in European economic fields. Again this example points to the importance of symbolic power resources that enable labour actors to – at least – enforce better material conditions for their shrinking core constituencies. To question the orthodoxy would mean that trade unions in the strongholds of export-oriented industries risk to lose their relative strong position vis-à-vis employers. However, unless this risk is taken and the basis of solidarity intentionally widened, trade unions will continue to lose ground in the national and transnational fields of power.

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