10. The role of employers' associations

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1. INTRODUCTION

Comparative political economy (CPE) dedicates special attention to employers' associations (EAs), especially those approaches that ascribe a crucial role to producer groups. There are two reasons for this focus (Paster, 2015). On one hand, EAs are one of the main channels through which firms attempt to exert their power and influence over political economies. On the other, EAs serve as one of the primary organizational contexts through which business preferences, interests, and positions are shaped, aggregated, and expressed. Studies of EAs have addressed various topics, including the structural power of business (Lindblom, 1977), their instrumental power to influence and shape policymaking, and preference formation (See Chapter 1; Culpepper, 2016).

More recently, empirical evidence has emerged regarding the reorganization of capitalism, highlighting a convergent diminished power of social institutions in regulating the economy (Streeck, 2009; Baccaro and Howell, 2011). Such findings have fueled renewed attention to business power explanations (Paster, 2015). Many have hypothesized that EAs will suffer from these trends and, as a result, decline.

In this context, the key puzzle we address in this chapter revolves around: (a) whether the expected decline of EAs in the contemporary economic landscape—marked by globalization, technological innovation, and the progressive fragmentation of economic interests—is indeed occurring; and (b) whether a similar trend is observable across the most advanced economies (EU countries, the US, and Japan).

This chapter addresses these issues from both theoretical and empirical perspectives. In the first part (Sections 2 and 3), we review key theoretical frameworks that investigate the reasons why employers might coalesce and how these reasons may vary from one set of countries to another. Section 2 provides a theoretical reflection on the unique collective action problems faced by EAs. Section 3 adopts a neo-institutionalist approach to identify the types of EAs in different economic systems. The second part presents empirical evidence. Section 4 offers an analysis of recent trends in EAs over time and across countries. The third part, Section 5, returns to the theoretical frameworks to reflect on the evidence presented in the previous section. The unexpected stability of EA organizations is discussed, along with further reflections on whether and to what extent the socio-economic changes that have taken place in recent decades challenge (but do not undermine) the role and structure of EAs, assessing the overall effect of these changes. Section 6 concludes.

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2. WHY FIRMS PARTICIPATE IN EMPLOYER ASSOCIATIONS AND THE PROBLEM OF COLLECTIVE ACTION

In many analyses of the genesis of employers' associations (i.e., associations that have different goals compared to "business organizations" or "business groups, cartels"), the main reasons for their formation are as follows (Barry and Wilkinson, 2011; Jackson and Sisson, 1976):

1. To counter the growing role and power of trade unions in regulating the economy.
2. To influence the decisions of governments, which began to intervene in the regulation of employment and to protect managerial prerogatives.
3. To manage competition among employers.

Although the current debate on contractual decentralization sees employers' associations very active on this front, it is worth remembering that, in many cases, it was employers who originally fought for coordinated and centralized regulatory structures that would guarantee a multi-employer coordination model and essentially take wages out of competition (Traxler, 2008; Goods and Ellem, 2022).

The main challenge is that the pursuit of socio-economic goals through collective action is not the same for employees and entrepreneurs (Traxler and Huemer, 2007). For employees, or at least for most of them, organizing in trade unions is often the only viable option, given the general asymmetry of power in the labor market. Most employees can pursue the goal of improving or defending their employment conditions primarily through collective action. In contrast, employers have alternatives: they can act individually, dealing directly with their employees or pushing their agenda with policymakers (Offe and Wiesenthal, 1980). As Schmitter and Streeck (1999) emphasize, business political action constitutes a "second choice", involving risks and uncertainties.

The choice companies face in finding a balance between acting individually or collectively profoundly shapes the role and characteristics of employers' associations (EAs) and evolves over time, depending on transformations in the socio-economic environment. In this respect, EAs developed during the 20th century in an industrial and often Fordist context. Recent trends in advanced market economies present new challenges for EAs that deserve renewed attention from social scientists: globalization, decentralization and deregulation, the progressive growth of the knowledge economy, and the apparent decline of traditional forms of social dialogue are just some of these challenges (van Berkel et al., 2017).

Consequently, employers' collective action and the capacity of EAs to persuade companies to join them face several challenges. To analytically define these challenges, it is important to consider two dimensions: the nature of the actors that EAs confront and the advantages and disadvantages for companies when acting collectively instead of individually (see Table 10.1).

EAs have traditionally represented the interests of companies toward two main types of actors: government authorities and trade unions. The action directed at government authorities involves political pressure to advocate for public regulation and support—relating to the production of goods and services, the labor market, social policies, industrial policies, etc.—in line with companies' interests. The action directed at trade unions is linked to joint collective bargaining and the achievement of companies' socio-economic interests through collective agreements.

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Table 10.1 Goods produced by employers' associations: strengths and weaknesses for collective action

Action toward (Type of outcome)	Type of good produced by EAs	Advantages of collective action	Disadvantages of collective action
Government authorities (Regulation and support)	Public good	Capacity to exert effective pressure on public policies, regulation, and support	Free riding
Trade unions (Collective bargaining)	Public good and club good	Reduction of transaction costs Regulation of (wages) competition Shift of the conflict outside the workplace	Loss of autonomy and flexibility
Employers (Business services)	Private good (Selective incentive)	Support in marketing, administration, and legal actions	None (unless the market or other associations offer lower prices)

Source: Own elaboration.

The advantages and disadvantages of collective action in both arenas—the one with government authorities and the one with trade unions—partially depend on the nature of the goods produced by EAs in the two contexts. The action directed at government authorities can be described as a public good. The companies' capacity to exert effective pressure to obtain favorable government interventions is directly linked to the number of member companies, their weight in employment and the economy (the EAs' density that will be discussed later), and the level of coordination and coverage of collective bargaining (the more working conditions are negotiated, the more social partners are considered "institutional" actors affecting the socio-economic landscape).

On the other hand, the action directed at trade unions and collective bargaining can be framed more as a mix between a public good and a club good, accessible only to members (Bordogna and Pedersini, 2019). The extent to which collective bargaining through EAs can be defined as a public or a club good also depends on whether there is a mandatory extension of collective agreements (see Table 10.2). The main advantages of collective bargaining through EAs lie in the standardization of labor utilization rules (Bulfone and Afonso, 2020). Transaction costs are reduced because companies benefit from a set of standard terms and conditions that apply to all labor relations, including new ones, thus saving time in defining individual contracts. Moreover, there is a containment of labor-cost competition by sharing rules and conditions among companies operating in the same sector. Lastly, there is the opportunity to reduce conflict at the company level, as EAs are delegated to negotiate with trade unions at a level outside the workplace.

However, challenges also exist for companies. EAs embody a specific dilemma: a "power asymmetry" between employers and their associations (Traxler, 2008). The logic of collective action proposed by Olson (1968) is reversed in their case, as action undertaken by employers does not necessarily lead to increased bargaining power, and EAs must represent a variety of

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Table 10.2 Employer associations' characteristics in a comparative perspective (2021 or latest available data)

Characteristic	JPN	USA	UK	CZE	POL	DEU	NLD	FRA	ESP	ITA	DNK	SWE
EAs density	37*	13**	54	55	51	68	85	79	77	78	70	88
No. EAs	2	2	2	2	4	2	2	4	2	11	2	5
Collective bargaining coverage rate	17	12	27	35	13	54	76	98	80	100	82	88
Collective bargaining predominant level	1	1	1	2	1	3	3	3	3	3	3	3
Mandatory extension of collective agreements	0	0	0	1	0	1	2	3	3	3	0	0
Opening clauses in collective agreements	NA	NA	0	0	NA	2	2	1	2	1	0	0
Possibility to derogate	1	2	2	2	2	1	1	3	2	3	3	1
A social pact or central agreement signed between 2015 and 2019	0	0	0	0	0	0	1	0	1	0	1	0

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Characteristic	JPN	USA	UK	CZE	POL	DEU	NLD	FRA	ESP	ITA	DNK	SWE
Existence of a tripartite council	0	0	0	2	2	0	2	1	2	1	0	0
Trade union density	17	10	24	11	13	16	15	11	12	33	68	65

Note: * Data refer only to the private sector in the 1990s; ** Data refer only to the private sector. Coding of collective bargaining predominant level: 5 = at the central or cross-industry level; 4 = between the central and industry level; 3 = at the sector or industry level; 2 = between the sector and enterprise level; 1 = at the company or enterprise level. Coding of mandatory extension of collective agreements to non-organized employers: 3 = extension is virtually automatic and more or less general (including enlargement); 2 = extension is used in many industries, but there are thresholds and Ministers can (and sometimes do) decide not to extend (clauses in) collective agreements; 1 = extension is rather exceptional, used in some industries only, because of absence of sector agreements, very high thresholds (supermajorities of 60% or more, public policy criteria, etc.), and/or veto powers of employers; 0 = there are neither legal provisions for mandatory extension, nor is there a functional equivalent. Coding of opening clauses in sectoral collective agreements: 2 = sectoral agreements contain opening clauses, allowing the renegotiation of contractual wages at enterprise level; 1 = sectoral agreements contain opening clauses, allowing the renegotiation of contractual non-wage issues (working hours, working time schedules, unsocial hours, etc.) at enterprise level; 0 = sectoral agreements contain no opening clauses; –99 = not applicable (no sectoral agreements). Coding of possibility to derogate (deviate) by collective agreement from statutory minimum standards (or sectoral agreements) of labor protection setting less favorable conditions for workers: 1 = yes; 2 = no; 3 = only partially. Coding of the presence of a social pact or central agreement signed between 2015 and 2019: 1 = yes; 0 = no. Coding of existence of a tripartite council for the purpose of negotiation, consultation, or information exchange over social and economic policies: 2 = tripartite council with representation from the trade unions, employers' associations, and independent experts or government representatives; 1 = council with various societal interest representatives, including unions and employers; 0 = no permanent council.
Source: OECD/AIAS ICTWSS Database (https://www.oecd.org/en/data/datasets/oecdaias-ictwss-database.html).

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heterogeneous interests among different employers (Barry, 2011). This situation is particularly evident in a globalized economy and is especially true for large companies, which often operate in highly competitive international markets. Nonetheless, collective bargaining has been reformed over time (i.e., derogations to sectoral agreements for companies) to adapt this institution to the sectoral and international landscape of companies (as we will discuss later).

As for the profile of firms, three characteristics could play an important role in convincing employers to join EAs (Mares, 2003; Paster, 2015): firm size, skills, and the position of firms in the international economy. At the same time, these three characteristics are seen as potential sources of division within businesses, as they imply different preferences among companies.

In relation to firm size, small and medium-sized enterprises (SMEs) are the ones that can benefit from EAs because the latter provide goods that they would not be able to produce independently (such as lobbying and collective bargaining) or would produce at higher costs (for services). However, given the nature of many goods produced by EAs, there is an incentive for SMEs to free ride. Furthermore, since large companies may take a leading role within EAs, SMEs might be tempted to defect, as their needs may receive less attention than those of larger companies.

3. VARIETIES OF EMPLOYER ASSOCIATIONS

While Section 2 reviews key theoretical approaches in the field and examines the dilemma of collective action for employers—as well as the factors that may support or weaken their participation in employer associations (EAs)—the present section focuses on the factors that reinforce the differentiation of types of EAs. Historical institutionalism emphasizes that the relationship between institutions and EAs is complex. Institutions shape the mix of incentives and constraints that affect employers' collective action and how that action takes place. At the same time, EAs can play a crucial role in attempting to redraft institutional rules and functioning, as well as in influencing their members' preferences (Hall and Soskice, 2001; Streeck and Thelen, 2005).

The most comprehensive analyses of the different types of EAs, along with their roots and functioning logics, have been presented by Schmitter and Streeck (1999) and by Martin and Swank (2012).

The specific issue raised by Schmitter and Streeck (1999) concerns the role of firms' heterogeneity (in terms of diversity of interests) in fostering or hindering their collective action capacity through EAs. The more homogeneous an EA is regarding its membership, the stronger the competition among its members is likely to be. Conversely, the more heterogeneous an EA is regarding its membership, the more challenging it becomes to find a line of action toward governments and trade unions that aligns with the interests of all its members.

Therefore, the central problem for an EA, as with any representative association, is the "management of diversity" in their members' interests. To tackle this challenge, EAs must, on one hand, provide sufficient incentives to their members to secure the resources needed to operate, and on the other hand, exert adequate influence over government authorities and trade unions to advance their agenda—ensuring these counterparts that they can control their members' behavior.

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Schmitter and Streeck (1999) characterize these two needs as the "logic of membership" and the "logic of influence". They argue that the specific imperatives of each logic will change depending on the context. As a result, EAs exhibit specific traits in different countries and at different times, and there is no singular ideal type of EA.

In particular, the features of the "logic of membership" depend on several characteristics of EA members, such as the number of firms; the homogeneity/heterogeneity among members (e.g., in situations where there is one large leading firm and many equally small ones, there is a strong temptation for the dominant actor "to go it alone" in direct, unmediated competitive action); the level of potential competition among members (which is closely linked to the economic sectors represented by the EA and their heterogeneity); their interdependence; profitability and growth; and social cohesion. Owners of economic interests who share frequent interactions are likely to trust each other more, develop a sense of solidarity, and therefore find it easier to engage in associative action.

The features of the "logic of influence" are related to the characteristics of government authorities and trade unions. For government authorities, these conditions relate to a country's position in the international political economy, as well as its legal norms and administrative practices (e.g., the autonomy of public bureaucracy, the role of central administration, the role of political parties, etc.). Regarding trade unions, conditions primarily pertain to the national industrial relations system (e.g., rules for collective bargaining, the strength and structure of the trade union movement, etc.).

Martin and Swank (2012) presented a seminal typology that differentiates among three types of "labour market coordination by firms":

- The "macrocorporatist" model, in which employers are organized into hierarchically ordered groups, and the peak association negotiates broad political agreements with labor and the state through collective bargaining and tripartite policymaking committees.
- The "sectoral coordination" model, where employers wield power largely at the industry level—employers' associations within specific industries engage in significant coordination with corresponding labor unions, but the encompassing multi-sector peak associations are much weaker, and the state is largely absent from negotiations.
- The "pluralist" model, where employers are represented by a variety of conflicting groups, many of which claim to aggregate business interests, but none has significant policymaking authority.

Martin and Swank's work focused on the trends of EAs in the 20th century within advanced capitalist economies. Recently, Martin (2020) has built on her previous work with Swank by proposing a typology to understand EAs in contemporary 21st-century-capitalism during an "Era of Knowledge-Based Growth" (Hall, 2020). Her framework begins with the observation that producer interests are divided along several fault lines (such as the production of manufactured goods or services, for export or domestic markets, and employing high-skill or low-skill workers). These divisions inform producer groups' production choices (competition on price versus quality), support for government growth strategies (export-led versus demand-led growth), and social preferences. As a result, she identifies six different types of producer groups, each with distinct needs and requests for EAs. The first type consists of export-oriented manufacturing sectors. The second type includes manufacturing firms using

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less highly skilled workers and producing for domestic markets. The third type consists of firms providing domestic services in the private sector with low-skill workers. The fourth type encompasses firms producing domestic services in the public sector. The fifth type includes firms producing dynamic services with highly skilled workers for export markets. The final type comprises firms providing services using highly skilled workers for private domestic markets. Depending on a country's economic structure and its industrial relations system, these six types of producers will form different coalitions among employers and within EAs. Specifically, macrocorporatist industrial organizations facilitate alliances among export manufacturing sectors, traded high-skill service sectors, and public sector employers/workers.

4. DATA AND VARIABLES: CHALLENGES AND CHANGES FOR EMPLOYER ASSOCIATIONS AFTER THE "GLORIOUS THIRTIES"

While the previous sections outlined the theoretical questions at stake, the present and following sections examine the empirical evidence regarding EAs to test the two hypotheses mentioned above: the supposed decline of EAs and the notion that this decline is a common trend across political economies.

The role of EAs can be empirically measured for comparative purposes through a set of indicators. In this section, we focus on five dimensions of interest and provide evidence from up-to-date indicators as well as from the contemporary literature on the topic.

The first dimension is the "strength" of EAs in terms of *employer associational density.* This indicator is expressed as the proportion of employees belonging to firms that are members of EAs relative to the total number of employees. It is the equivalent measure for employees' collective action, defined as union density (Meardi, 2015) (see Figures 10.1a and 10.1b).

The second dimension refers to the level of plurality or fragmentation of EAs, measured as the *number of employer confederations* in a given country. The higher the number, the more fragmented/plural is the world of companies' collective action (Tables 10.2 and 10.3).

The third dimension refers to the *capacity of EAs to represent the interests of specific types of companies or the broader economy.* Several measures are needed to grasp this dimension, based on the profiles of EAs' member firms by economic sector and type of enterprise represented (i.e., by size). Consequently, there are countries where EAs associate either with most firms or with only a portion of the business world (e.g., large companies). At the same time, some countries have multiple EAs specializing in representing different economic sectors (i.e., EAs for the manufacturing sector separate from those for the service sector) or companies of varying sizes (small and medium-sized enterprises versus large ones). Unfortunately, empirical comparable information on this point is only available for European countries, primarily thanks to the Eurofound European Company Survey (ECS). Table 10.3 presents information derived from the microdata of the most recent ECS, conducted in 2019.

The fourth dimension refers to the *role of EAs in collective bargaining* (See Chapter 15). In this context, a set of indicators must be used collectively to obtain a comprehensive picture. It is important to know the coverage rate of collective bargaining, which is expressed as the number of employees covered by active collective (wage) agreements in relation to the total number of employees with the right to bargain. This indicator should be supplemented by three additional measures: the mandatory extension of collective agreements to

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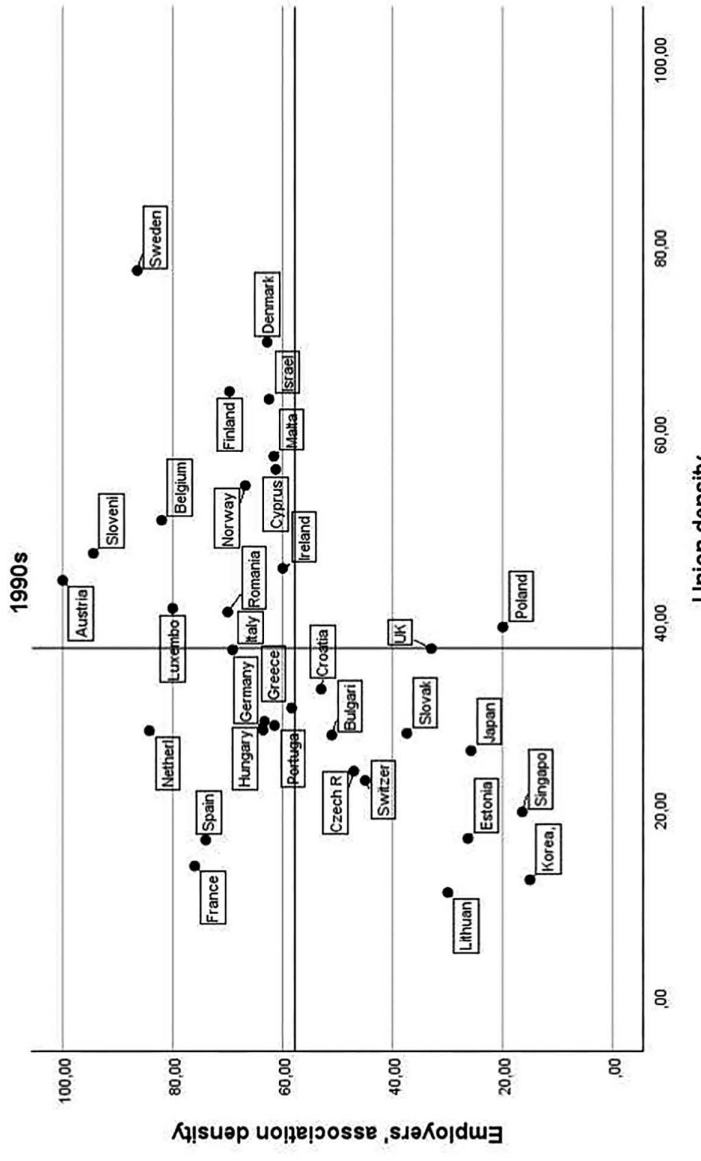

Figure 10.1a Unions and employers' associations' density over time by country

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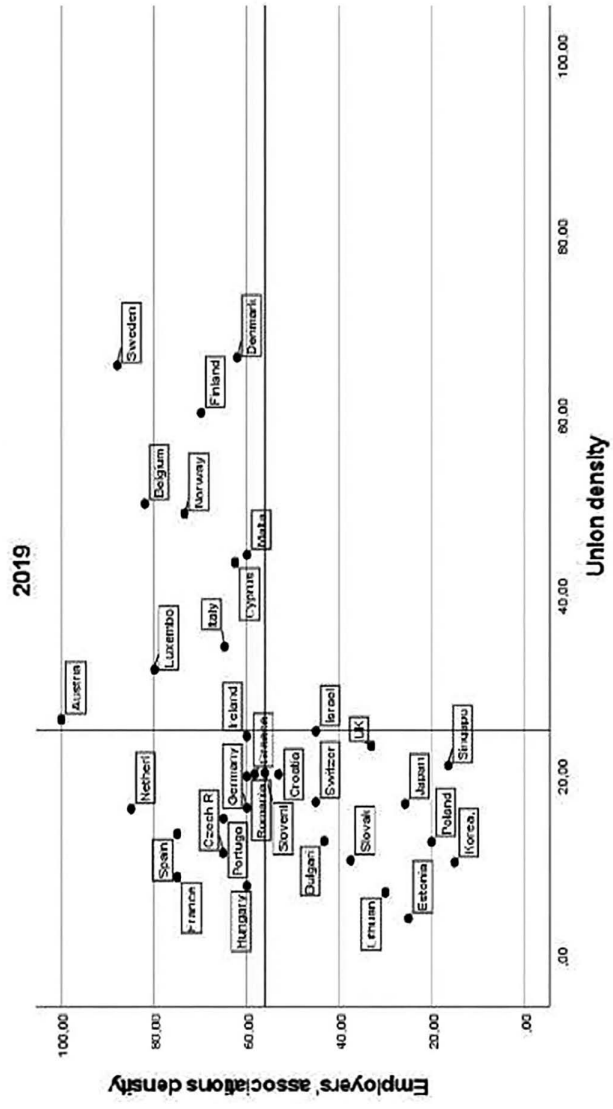

Figure 10.1b *Unions and employers' associations' density over time by country*

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Table 10.3 The characteristics of EAs' membership by company size and economic sector in a comparative perspective (2019) (only companies with at least 10 employees)

Country	Member of a EA	Industry small	Industry medium	Industry large	Consumption small	Consumption medium	Consumption large	KIS small	KIS medium	KIS large	Total
UK	Yes	2	6	2	50	11	6	19	2	2	100
UK	No	15	2	0	42	7	1	27	5	0	100
Czechia	Yes	4	23	16	20	13	4	12	5	4	100
Czechia	No	26	7	2	41	6	1	14	3	0	100
Poland	Yes	18	6	3	50	5	1	6	10	1	100
Poland	No	33	6	1	34	6	1	17	2	0	100
Germany	Yes	36	3	2	26	9	2	16	5	2	100
Germany	No	22	4	1	39	9	1	19	5	0	100
Netherlands	Yes	23	14	3	42	9	2	6	1	1	100
Netherlands	No	11	6	1	43	7	1	27	5	0	100
France	Yes	22	6	1	44	9	2	13	3	1	100
France	No	26	3	0	45	5	1	17	3	0	100
Italy	Yes	36	8	3	36	5	2	7	3	1	100
Italy	No	34	3	0	48	4	0	9	1	0	100
Spain	Yes	29	3	2	39	7	2	12	4	1	100
Spain	No	22	3	1	39	6	1	24	4	0	100

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Country	Member of a EA	Industry small	Industry medium	Industry large	Consumption small	Consumption medium	Consumption large	KIS small	KIS medium	KIS large	Total
Denmark	Yes	24	5	2	44	4	2	14	3	1	100
Denmark	No	10	1	0	50	5	1	29	3	1	100
Sweden	Yes	26	4	1	43	7	1	14	4	1	100
Sweden	No	14	1	0	39	4	0	38	5	0	100

Notes: The distinction between economic sectors follows a simplified version of the Eurostat classification that aggregates NACE economic activities into macro-sectors (see "Eurostat indicators on High-tech industry and Knowledge-intensive services"; https://ec.europa.eu/eurostat/cache/metadata/en/htec_esms.htm): industry; consumption services (trade, transportation and storage, accommodation and food service activities, real estate activities, arts, entertainment, recreation, and other service activities); knowledge-intensive services (KIS) (financial and high-tech services, welfare state services, and public administration). Small companies have between 10 and 49 employees. Medium companies have between 50 and 249 employees. Large ones have 250+ employees. Data are weighted for company employees' average size in each economic sector (industry, consumption services, and KIS).
Source: Authors' elaboration of Eurofound ECS 2019 microdata.

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non-organized employers, the presence of opening clauses in collective agreements that allow for the renegotiation of contractual labor conditions (including wages) at the enterprise level, and the possibility to derogate (lower) working hours and minimum wages established by both law and collective bargaining. Additionally, it is important to consider the predominant level at which wage bargaining takes place, in terms of employee coverage—whether at the central, sectoral, or company level.

The fifth dimension concerns the *role of EAs in social pacts and tripartite agreements* signed by the government, along with all major trade union confederations and EAs (see Table 10.2).

5. INTERPRETING THE EVIDENCE: EVOLUTION OF EAS AND POTENTIAL EXPLANATIONS

As stressed in Sections 2 and 3, structural socio-economic and political changes have taken place in recent decades, challenging the role and form historically adopted by employer associations (EAs) and making business collective action increasingly difficult. These changes refer to various domains. There have been changes in the economic structure, characterized by deep diversification across economic sectors, leading to potential fragmentation of business interests and challenges in representing them through associations. Additionally, there have been changes in the production goods markets, with increasing internationalization of production and competition. The role of companies and business ties that transcend national barriers has grown (e.g., multinationals, foreign direct investments, and global value chains). Changes in many industrial relations systems have further contributed to increasing decentralization of collective bargaining. Finally, research indicates a diffusion of "functional equivalents" in various forms of company representation when confronting policymaking (e.g., "clubs") (Bouwen, 2004). This set of changes has sparked a debate regarding the "end" of EAs. However, Section 4 has provided counter-evidence. In the following pages, we summarize the positions in the literature that refer to possible factors supporting EAs.

5.1 Interpreting the Evidence: The Stability of EAs

Regarding the anticipated decline of EAs, Figure 10.1 demonstrates the stability of firms' participation in collective action over time (except for the UK and, to some extent, Germany), in contrast to a generalized drop in employee participation in trade unions. From a relatively similar and "balanced" participation for both employees and employers during the 1990s, we have recently observed a strong decline in union density.

In the literature, globalization and the internationalization of economic markets are viewed as elements that negatively influence the membership of companies' associations. Competition undermines the implicit solidarity of collective action. Potential members are well equipped to act autonomously and/or relocate activities across borders, thereby devaluing the centralization and regulation of national labor relations (Traxler, 2008).

However, some studies argue that membership is particularly incentivized if a country's industrial relations system includes practices that extend collective bargaining. This would benefit membership, as firms aware that they are bound by a collective agreement prefer to join to maintain some level of influence (Brandl and Lehr, 2019; Traxler, 2010). Data presented

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in this section partially confirm these findings. The countries reported in Table 10.2 exhibit high degrees of extension and high EA density.

The first argument supporting the dismissal of EAs relates to the "structural power" of individual companies. Specifically, with the increased internationalization of economic production and competition, companies—especially multinationals—are perceived to exert pressure for bargaining agreements to become decentralized, aiming for greater power at the company negotiation level across sectors. The argument posits that internationalization has heightened the threat of capital mobility, enabling medium and large companies to rely on this threat individually rather than acting through EAs.

Yet, empirical research presents a more nuanced picture. Marginson and Meardi (2009) find that multinationals have often been integrated into collective bargaining structures without significant disturbance. Furthermore, Iversen and Soskice (2019) question the validity of the "capital mobility" (structural power) argument. They reveal that knowledge-based advanced companies—often multinational enterprises or their subsidiaries—are increasingly immobile, being tied to skill clusters in successful cities, with their value-added embedded in largely immobile, highly educated workforces. They also find that public and private institutions are geographically embedded, reflecting the importance of tacit knowledge. Finally, cross-class coalitions are formed by companies, the large skilled workforces of advanced sectors of the economy, and those aspiring to join these workforces, all aligning their interests with the promotion and success of advanced capitalist sectors.

The literature advocating for the persistent and significant role of EAs in current political economies utilizes two types of arguments concerning firms' motivations to join an EA. First, several scholars find through empirical research that, although collective bargaining has been decentralized, countering the collective power of labor remains a crucial motivation for EA membership, as well as the capacity to influence public policies through these associations (Lehr et al., 2023). Simultaneously, EAs currently devote greater attention to political lobbying (Traxler, 2008).

Second, in response to the aforementioned challenges, EAs adapt, restructure, and refunction their activities and strategies (Behrens, 2004; Barry, 2011). Specifically, there has been an expansion in the provision of business services by EAs. To address the needs of smaller firms, EAs increasingly employ extensive private services and experts from various fields beyond industrial relations, for example, law, human resource management, health, and occupational safety. In fact, EAs have introduced a range of new services for individual employers, who are (potential new) members of their associations, as well as non-members on a fee-for-service basis (Behrens, 2004; Demougin et al., 2019a). Generally, this strategy indicates a trend toward the provision of private goods alongside collective goods. The question arises in the literature whether this indicates that EAs can increasingly be defined as business associations rather than merely as employer associations (Sheldon and Thornthwaite, 2004).

The expansion of the provision of business services is a process common to different types of EAs and political economies. Studies on typically liberal market economies (Demougin et al., 2019a and 2019b; Gooberman et al., 2020), as well as those on coordinated market economies, show that EAs have significantly transformed both their organizational structures and functions. For instance, Ibsen and Navrbjerg (2018) find that in coordinated market economies, EAs are adding new services and functions to survive, rather than replacing collective functions; instead, new selective and elective functions are "layered" upon them (using Streeck and Thelen's terminology).

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5.2 Mixed Positions Over the Decentralization and Deregulation Road

The empirical data in Table 10.2 supports Martin and Swank's typology referenced in Section 2: EAs exhibit varying characteristics across different countries, and these differences largely persist over time.

At one extreme are Japan, the US, and the UK, characterized by a limited role for EAs. All indicators reflect low values: a limited EA density paired with a low collective bargaining coverage rate, a predominant collective bargaining system at the company level, the absence of mandatory extensions of collective agreements, the absence of derogation possibilities (with the exception of Japan, where it is permissible to derogate concerning working time, wages, breaks, and leave upon the conclusion of a labor–management agreement upon bilateral request, thus not precisely lowering conditions), and the absence of tripartite councils or social pacts. A similar situation is found in two Central Eastern European (CEE) countries. For most indicators, this cluster resembles the US and the UK, yet it has a higher EA density rate (around 50%) and, in some countries, a tripartite council. Furthermore, while membership in EAs in the UK is primarily in consumption services (around 61% of its members), the majority of EA membership in the two CEE countries comprises (medium-large size) industrial sector companies and KIS (especially in Czechia) (Table 10.3).

At the opposite extreme are the Nordic countries (Denmark and Sweden), which boast high EA density, very high collective bargaining coverage rates, and industry-level collective bargaining, with neither an option for opening clauses nor mandatory extensions of collective agreements. The possibility to derogate was introduced several years ago in Sweden and only recently (regarding working hours) in Denmark. EA membership is relatively balanced, with around half of the members being medium-large industrial and KIS companies, about 40% from firms in the consumption sector, and the remaining members from small industrial companies.

Between these two clusters lie the Continental and Southern European countries, which share commonalities but also display differences. Commonalities include a high share of EA density, collective bargaining occurring at the industry level, the presence of opening clauses (in several countries, also related to wage-setting), and the existence of tripartite councils. The possibility to derogate has been introduced roughly around the same period in these countries, but not with the same intensity (with Spain being an exception, as it lacks derogation clauses). Differences pertain to the number of EAs in each country (relatively low in Germany, the Netherlands, and Spain, higher in France, and extremely high in Italy), the collective bargaining coverage rate, and the mandatory extension of collective agreements (which tend to be relatively high and present in all countries except Germany). Notably, these countries (with the partial exception of France and Spain) demonstrate a strong presence of medium and large industrial companies in EA membership, alongside small industrial companies.

In line with the theoretical debate referenced in the first part of this chapter, various interpretations can explain these different characteristics. While EAs are frequently portrayed as strong proponents of the deregulation and decentralization of industrial relations in Europe, some studies indicate that most small firms seem (implicitly) interested in maintaining a socially legitimized framework for labor regulation. EAs are also aware that a strong decentralization of bargaining would diminish their influence in the labor relations arena. Their challenge lies in effectively balancing these conflicting requirements (Colombo and Regalia, 2016; Barry and Wilkinson, 2011). For example, Bulfone and Afonso (2020) demonstrate that

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EAs in Spain, Italy, and Portugal have resisted state-led reforms aimed at decentralizing collective bargaining during the Euro crisis. The dominance of small firms in these countries' economies leads EAs to support selective aspects of sectoral bargaining and state regulation. Similarly, Iversen and Soskice (2019) examine how EAs in Greece responded to institutional changes toward marketization amid the economic crisis, finding that Greek employers' associations held diverse outlooks and offered varying responses to these institutional changes—attributable to the weakened power resources of EAs and their compromised ability to advance their interests, which led to a strategic repositioning.

Another interpretation of the presented data concerns the incentives that states offer for employer collective action. Governments continue to require coordination, particularly among enterprises, in producing certain types of collective goods (such as skill formation), as argued in the Varieties of Capitalism (VoC) approach (Hall and Soskice, 2001). As emphasized by Busemeyer et al. (2022), decentralization poses considerable challenges for sustaining collective goods within coordinated market economies. Moreover, states need business coordination for the effective drafting and implementation of economic and social policies. Geyer illustrates that policymakers need the cooperation of employers and EAs in developing and implementing various policies. The most notable example is monetary policy, which aims for wage moderation to address inflationary trends. In general, the cooperation of EAs can aid policymakers in enhancing companies' engagement in policy implementation by reshaping their members' perceptions of the costs and benefits of participation.

Furthermore, recent literature has consistently underscored the importance of cross-class coalitions and the politics surrounding such coalitions (Hall and Soskice, 2001; Beramendi et al., 2015; Iversen and Soskice, 2019). Within this framework, EAs continue to play a critical role. A prime example of this approach is Thelen's analysis (2014) of the coalitions fundamental to the different varieties of liberalization across Europe. While in the UK, the traditional class cleavage facilitated labor market deregulation, a more complex cross-class politics emerged in both Continental and Northern Europe. In the former, the strength of the alliance between trade unions and EAs in manufacturing has shaped the dualization of the labor market (wherein both firms and workers defend social rights within the core industrial sector, while liberalization spreads into more peripheral economic sectors). In Nordic countries, the alliance between business and workers in services enabled comprehensive reforms toward "flexicurity" (so-called embedded flexibilization). According to Thelen, in all these cases, coordination among employers through EAs was crucial. Encompassing cross-class coalitions are indeed based on coordinated employers' strategies alongside strong (sectoral and/or national) EAs.

6. CONCLUSIONS

This chapter has focused on the role and challenges facing employer associations in the most advanced capitalist economies. It has done so by addressing two primary issues: the anticipated decline of employer associations within the changing socio-economic context and the supposed common trends observed across different countries.

The first part of the chapter has examined these issues from a theoretical perspective, elucidating the key interpretations of the collective action dilemmas faced by employers and the various readings regarding the role of institutions in shaping employer associations. In

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the second part, empirical data illustrates the current situation and the varieties of employer associations, with the same evidence interpreted through the lens of competing explanations.

We observe, on one hand, that the institutions established during the Fordist era remain present and maintain an essential role. Collective bargaining still serves as a tool for regulating wages and working conditions in many Western countries. Conversely, while these institutions are not rigid, they have evolved over time to adapt to new economic challenges. Since the 2000s, there has been a notable decrease in tripartite regulation (with exceptions in Nordic countries where social dialogue is institutionalized); however, reforms of collective bargaining (most notably, the introduction of derogations) have certainly made the industrial relations system more flexible and decentralized, while preserving its coordinating role, which is necessary to manage inflationary and competitive pressures.

Moreover, this chapter has provided evidence that, despite pressures toward a singular model of (de)regulation, various models of capitalism maintain distinct avenues for interest coordination.

Nonetheless, the maintenance of a system for interest coordination faces challenges from fragmentation and exits from EAs. We have noted that in some countries (notably Italy), the number of business associations is substantial. While on one hand, this has historically led to divisions among associations based on territory, company size, and sector (potentially risking the integrity of collective bargaining by increasing the number of contracts signed, not all of which are representative), it has also encouraged more adaptive representation of diverse interests (Brandl and Lehr, 2019).

In general, to counter exit options, it appears that employer associations are increasingly positioning themselves as private providers of employment counseling and services for the many small and medium-sized enterprises that lack internal human resources and struggle with the growing legal complexities of employment relationships (Traxler, 2008). In contrast, larger firms, which are also more likely to be unionized and have managers dealing with industrial relations, are more inclined to continue their association for the provision of traditional collective goods.

The paradox lies in the fact that the continued decentralization of bargaining creates fewer incentives for larger firms to join, thus motivating associations to provide more services that attract new members, particularly smaller firms (Sheldon and Thornthwaite, 2004). Certain studies suggest that employers' associations have shifted their focus outward, notably toward lobbying, opinion formation, and political influence (Barry and Wilkinson, 2011; Bell, 1994).

In conclusion, EAs appear to be more resilient than trade unions. Their traditional challenge of the membership logic (in contrast to trade unions) has afforded them greater flexibility in reorganizing to effectively perform within the influence logic. While EAs have broadened their focus, enhancing their influence—primarily through maintaining active collective bargaining and social dialogue—toward lobbying and opinion formation, the services offered to attract members are continually adapting to meet the needs of businesses, focusing primarily on promoting these companies (such as increasing support for promoting specific sectors in public opinion to enhance their relevance to governments).

Reorganizing services is more complex for trade unions, arguably because their membership is more fragmented than that of EAs. The contractual flexibility and the rising number of professionals (often self-employed) pose ongoing challenges to the trade unions' membership and influence logic. Conversely, EAs are traditionally fragmented in terms of the number of associations in some countries and have internal divisions in others (in the so-called "peak

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associations"). This historical fragmentation has created challenges for collective bargaining and social dialogue (and continues to do so), but it has also enabled these organizations to represent different sectors of the economy. The restructuring of services has aided companies in navigating changes within legal and political frameworks. This is why EAs' density has not declined dramatically: exit due to dissatisfaction with collective bargaining is a concern (e.g., in Germany and partially in Italy); however, exit driven by dissatisfaction with services is less common, particularly as companies can find support for public promotion and lobbying within these services.

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