

**PROSPECTS OF EUROPEAN SECTOR BARGAINING:
NECESSARY AND SUFFICIENT CONDITIONS FOR THE
OCCURRENCE OF SUPRANATIONAL INTEREST COORDINATION**

Barbara Bechter*, Bernd Brandl, Guglielmo Meardi

* Corresponding author:
Assistant Professor / Lecturer
University of Vienna / University of York
Vienna (Austria) / York (UK)

Email: barbara.bechter@univie.ac.at
February 2012

Prospect of European sector bargaining: necessary and sufficient conditions for the occurrence of supranational interest coordination.

Barbara Bechter, Bernd Brandl, Guglielmo Meardi

Abstract

The aim of this study is to analyse differences and similarities in industrial relations systems in nine sectors across the European member states to identify the prospects of the European Sectoral Social Dialogue (ESSD). Industrial relations in Europe are characterised by increasing diversity within national systems and by functional convergence between them. Increased diversification is caused by the way in which employers adapt to competitive pressures and how trade unions respond to organisational and technological changes. Economic internationalisation and restructuring pose major challenges to collective bargaining and increase the problems of inter-class compromise. Institutional responses, expressing the heterogeneous nature of interests in decision making, are decentralisation and differentiation within collective agreement frameworks. When the structures of industrial relations systems follow product markets, collective bargaining at the supranational level is essential to achieve the protective function of coordinated bargaining. The strategic coordination of interests at the European level is thought to complement national bargaining policies.

There are specific sectoral industrial relations factors that are partially accountable for the success of the European level coordination. Sectoral characteristics appear to be evident for the functioning of the ESSD and large differences in the outcome are apparent across sectors. Past research has not paid much attention to sector differences. In this study we analyse differences in the functioning of ESSD across sectors. It is argued that the functioning of European sectoral level interest coordination is favoured by certain configurations of sectoral and national industrial relations. In the context of the complex sectoral institutional and economic environment in which the ESSD are embedded a Qualitative Comparative Analysis (QCA) is applied to identify the prerequisites and prospects for the functioning of the ESSD.

Introduction

The European Union (EU) has promoted the sector level as a specific level of European Social Dialogue and a core element of the European Social Model (Bechter et al. 2011a). This has particularly been the case through the establishment of European Sectoral Social Dialogue Committees (ESSDC) since 1998. These committees have produced more than 500 joint texts, including important binding agreements, but while their operation has already attracted a large body of research (e.g. Pochet et al. 2009), the specific sectoral conditions in

which they operate and what are the necessary and sufficient conditions for the functioning of the ESSD have not been analysed systematically.

Sector-level governance of industrial relations (IR) has a long history in most European countries (e.g. Bechter et al. 2011b, Crouch 1993, Hyman 2001). In approximately half of the EU member states, the sector is the main level social partners' organisation and activity (e.g. Traxler et al. 2001). While in recent years pressures towards the disorganisation of national sector IR have intensified, it is still not clear whether such disorganisation within countries may be in part compensated by developing cross-border co-ordination. For various forms of cross-border co-ordination between national social partners see for example Traxler et al. (2008) and Traxler and Brandl (2009). Apart from the EU level, co-ordination may also occur within multinational companies, on collective bargaining rounds. In particular, since the Amsterdam Treaty in 1998, the European Commission has developed a framework for ESSD. Since then, more than 40 ESSDC have been created, and cover about 150 million workers in all the member states. The outcomes of ESSDC, however, differ greatly in terms of the number of joint texts agreed, in addition to the 'quality' of these texts. The regulatory 'relevance' of the texts is also very heterogeneous.

As the EU recognises social dialogue as one of the pillars of the European social model and as an instrument of social cohesion and resilience (e.g. Welz 2008), the efficacy and functioning of this instrument is of special relevance. The sector is a fundamental level of social dialogue in most EU countries, and it is emerging as a key level of governance at the European level. Thus, understanding sector characteristics (actors, processes and the institutional framework) for social dialogue is therefore increasingly important when comparing national developments and to understand trends in European governance.

There are several developments in IR which have implications for the 'success' of the functioning of the ESSD. Some of these developments strengthen the ESSD while others hinder their functioning. One challenging development is the increasing globalisation and internationalisation of economies which puts pressure on (the abilities of) typical IR actors such as national trade unions and employer associations. Recent decades have witnessed a trend towards decentralisation of IR actors' activities from the national level towards the decentralised company level. These trends in decentralisation and differentiation are institutional responses to any increase in the asymmetry and heterogeneity of employee and employer interests (Crouch and Traxler 1995, Marginson and Sisson 2004). Interest heterogeneity is caused by the increased competitive pressure and political integration within the EU with increased common EU regulations and harmonization of the EU labour market in response to globalisation pressures (Due et al. 1991, Rhodes 1991). However, employers and unions respond differently in different countries and in different sectors to these (common) challenges and the developments of recent decades have shown that IR patterns vary across sectors with different markets and technologies (Locke 1992, Katz and Darbishire 2000, Bechter et al. 2012).

Considering these developments in IR, the aim of this work is to identify the necessary and sufficient institutional and structural conditions for the functioning of European-wide agreements by social partners under the umbrella of the ESSD. Through the systematic analysis of IR actors and structures in nine sectors across all 27 EU member states, it sheds

light on the factors that may explain the potential for EU-level co-ordination. The study argues that sectoral differences in ESSD outcomes depend not only on historical factors, that is, the age of the sectoral committee, and on economic factors such as the internationalisation of sectors, but on differences in the sectoral institutional and structural conditions such as the strength of actors (trade unions and employer associations) and the importance of collective bargaining.

This paper continues by reviewing various theoretical perspectives on the functioning of the ESSD with respect to different levels and arenas of social dialogue and the relevant prerequisites for successful EU-level coordination on the sectoral level. On the theoretical argumentation on the relevant prerequisites we derive testable hypotheses. The hypotheses then are tested on the basis of empirical observations for nine sectors in all 27 EU member countries¹ by applying QCA. This empirical analysis concludes with a detailed explanation and discussion of the underlying data (including sampling strategy) and methods. We then present and discuss the results of the hypotheses tests and finally draw conclusions and discuss the implications of our results.

Levels and arenas of social dialogue

Since the 1980s, trends in IR have been away from national or cross-sectoral coordination towards more decentralised forms of coordination at sector and firm level. These developments reflect increasing heterogeneity of interests and differences in IR institutions across the European Member States (Bechter et al. 2010). Modes of coordination and regulation of employment issues depend on the nature of the problem and the effects of the regulations on the actors (Visser and Martin 2008). For the governance of coordinated bargaining institutional requirements must be fulfilled. The institutional prerequisites for coordinated bargaining are organizational density and state support. Regarding organizational density, strong unions are able to force employers to engage in coordinated bargaining while strong employers are a prerequisite to imposing binding agreements. Furthermore, a supportive state provides the outcome of coordinated bargaining from free-riding by extending the provisions to employers who are not members of the employer association.

- Figure 1 here -

Pervasive extension rules entail a high coverage of collective bargaining agreements. In contrast, union density is only relevant for high coverage, when pervasive extension practices are absent. Extension provisions provide employer associations with an incentive to organize. It is rational for employers to associate under extension provisions because the outcome is binding for them anyway. According to Traxler (1998), the relevant factors for a high coverage of collective agreements are pervasive extension practices in combination with strong employer organizations (there is a high correlation between these factors). In contrast, unions only have an impact on high coverage of collective agreements when extension practices are not in place.

Cartelizing function of coordinated bargaining

Industries vary in the extent to which they are exposed to international competition. The nature of competitive pressures deriving from liberalization and economic and political integration within the EU differ across sectors. Hence, sectors are affected by common EU regulations and market harmonization intentions to different degrees. Employers associations and unions protecting their members against competitive pressures face a double challenge. On the one hand, new technologies and reorganization of work have increased the participation of new types of workers (i.e. skilled workers) who have replaced semi-skilled workers, the traditional power base of unions. On the other hand, internationalization developments have transcended the scope of the traditional boundaries of IR practices (Locke 1991). In exposed sectors the cartelizing effort of national, sector level bargaining is ineffective, since the bargaining outcome is limited to a certain sector in a country. While in sheltered sectors, which are not exposed to international competition, the cartelizing function of sector level bargaining is effective. The shift from national sector-level bargaining to the European sectoral level can be explained by the cartelizing effect of the respective bargaining practices (levels).

- Table 1 here -

Hence, employers and unions in the nine sectors under investigation are not equally interested in bargaining coordination and high coverage of agreements. Sectors operating in internationalised, global markets and facing high competition are less interested in bargaining coordination at either the national sectoral or the European sectoral level, since the scope of the market transcends the range of the actors' influence. In contrast, bargaining coordination at the European sectoral level can fulfill the role of determining (minimum) standards. In the case of unexposed sectors or sectors with limited exposure (sectors that are highly integrated into EU policies) the cartelizing effect of coordinated bargaining whether at the national sectoral or European sectoral level does not harm competitiveness. In these two cases, the scope of coordination and the coverage of agreements match the scope of markets. Hence, agreements, concluded at the European sectoral level not only standardize employment conditions across the member states but also at the national sectoral level.

Determinants of European sector level coordination

What factors account for variations in the outcomes of ESSD in different sectors? Different configurations of causes produce different outcomes across the range of sectors. The most important precondition for social dialogue is that bargaining coordination must meet the actors' interest. Coordinated bargaining at the European sectoral level may be attractive to employees because of its potential to generalise agreements across occupations and jobs in the European member states. Employers may be interested because of the cartelising effect by taking working and employment conditions out of competition. Institutional prerequisites for coordinated bargaining at the European sectoral level are as outlined above: organizational density and state support. Prerequisites for high governance of bargaining coordination are firstly, strong unions which are able to push employers in coordinated bargaining and

secondly, strong employers who can impose binding agreements. Finally, extension provisions are able to cartelize the sector and driving out low cost competition.

- Figure 2 here -

With respect to coordination at the European sectoral level, social dialogue is most developed in those sectors which are closely integrated into EU policies. Internationalization pressures in product markets stimulate European-wide coordination practices to set minimum standards and to prevent undercutting (Marginson and Sisson 1998). Even so, unions have been reluctant to yield power and resources to European-level organizations (Keller 1995), and unions often centralize bargaining to strengthen their power and to take working conditions out of competition. In contrast, employers prefer decentralised bargaining in order to adapt to changing environments and to take advantage of flexible adjustments. When company-level bargaining give unions more power advantage, unions also prefer firm-level over higher-level bargaining (Katz 1985). Hence, the level of bargaining coordination differs depending on the subject of bargaining and the economic and institutional context in which bargaining is embedded.

Hypotheses and research strategy

By far the most important precondition for social dialogue is that bargaining coordination meet the actors' interest. Coordinated bargaining at the European sectoral level may be attractive to employees because of its potential to generalise agreements across occupations and jobs in the European member states. Employers may be interested because of the cartelising effect by taking working and employment conditions out of competition.

Hypothesis 1:

If the cartelizing function of coordinated bargaining at EU-level is an obstacle to firms' competitiveness, sectors with strong national, sectoral bargaining structures (high union and employer density and extension rules) are expected to defeat sectoral EU-level coordination.

Hypothesis 2:

Sectors with weak bargaining structures (low union and employer density and no extension rules) may not be able to integrate the social partners into sectoral EU-level bargaining, even when the generalisation of EU-level agreements has no negative impact on competitiveness.

Hypothesis 3:

When extension provisions are not provided and when employers' organisations are weak or absent, strong unions are a precondition to coordinating employee interests and to forcing employers to participate in bargaining. Sectors with strong unions are able to impose coordinated bargaining at the EU-level.

The ability of national sectoral industrial systems to govern bargaining coordination is measured in two ways: Are the national sectoral bargaining systems strong enough to impose coordinated bargaining? If yes, does the cartelizing function of coordination harm competitiveness?

As outlined above, a precondition for coordination is that bargaining coordination must meet employers' and unions' interests. Firstly, the actors must strive for the cartelizing effect of coordination which depends on the exposure level of sectors to international competition. Secondly, the national sectoral IR systems, respectively, their strength or weakness, determines the ability of the actors to enforce coordination at the European sectoral level. Furthermore, actors will engage in European sectoral level coordination only when this type of coordination is seen as an efficient way to govern employment relations. Hence, European level coordination is expected to occur in sectors where markets match the coverage of European sectoral level agreements, and in (unexposed) sectors where sectoral IR systems are weak and the cartelizing function of coordination can not be achieved at the national sectoral level.

Defining the success and relevance of ESSD outcomes

Since 1998 ESSDCs have produced and published more than 500 joint texts, including important agreements and various other documents and texts which are more of symbolic importance. This immense productivity of ESSDCs and the large number of texts makes the measurement of effective outcomes of ESSDC difficult, especially when differences in the outcome between sectors are being investigated. Regarding the total number of texts (documents) produced in different sectors; there are substantial differences among sectors. The texts produced by ESSDC include - according to the classification and definition of the European Commission (2010) - outcomes such as (see Bechter et al. 2011a): 'agreements', which are implemented either by means of a directive or autonomously by the social partners themselves (i.e. autonomous agreements); 'process-oriented texts', which contain frameworks of actions, guidelines, codes of conduct, and policy orientations, i.e. they contain clear provisions and processes to monitor implementation of ESSDC decisions; 'joint opinions and tools', which contain declarations, guides, handbooks, websites, and tools in order to provide further input to the European institutions and/or national public authorities; and 'procedural texts' which address rules of procedure, work programmes, and social partner agreements regarding the functioning of European social dialogue per se.

However, the functioning and effective importance of the ESSD can hardly be assessed on the basis of the total number of texts that are produced and published as many texts are rather declarative in nature, and merely aim to raise awareness (European Commission 2010). For this reason the analysis of the efficacy of the ESSD concentrates on 'agreements' as this category of outcome text is, compared to the other categories of texts, the 'best' available indicator for appraising factual ESSD relevance. Agreements (whether implemented through European directives or not) are a good proxy for expressing the efficacy of the ESSD as there not too many (see Table 2) and as they have an impact not only on the economy but also on social partners' aims and scopes. Agreements have a direct impact on employment relations, especially on working conditions and issues such as health and safety at work, vocational

training, skills, and equal opportunities. Particularly in the transport sectors agreements have had a major impact on working conditions (i.e. working time).

- Table 2 here -

In the following analysis the existence of an agreement (or not) in a sector is used as the dependent variable, i.e. the variable is operationalised as dichotomous (existent/absent). This, however, is possible and also advantageous, in comparison to the use of the total number of agreements, as no cumulative effects bias the results (Pochet et al. 2009, p. 20). The consideration of agreements, both those which are implemented by directives or via ‘soft-law’ by national social partners is also preferable as both are important for the governance of labour even though the factual implementation of the latter is the task of decentralised stakeholders which might fail (Visser and Ramos Martin 2008).

Sector selection

Nine sectors were chosen to test the above hypotheses and to identify the necessary and sufficient conditions for the functioning of the ESSD (see Table 2 for details on the selected sectors). Similar to Bechter et al. (2011a, b), a selection of sectors was necessary as data was not available for all sectors in all member countries. The idea and principle of the selection was to maximize firstly, the variance of sector-specific IR properties and, secondly, to control the economic environment of sectors. These differences between sectors are usually high between manufacturing and service sectors. Firstly, the difference in the strength of unions and employer associations is large between service sectors and manufacturing sectors. While the strength of the actors is traditionally high in manufacturing, it is low in service sectors. Secondly, the economic environment between manufacturing and service is different as they are differently exposed to international competition. The higher the exposure of a sector to international competition the greater the interest and need for trans-national coordination via ESSD.

As well the obvious differences between manufacturing and service sectors, there are also differences within them. Compared to the steel manufacturing sector, for instance, the locations of many types of food processing, such as sugar manufacturing, the transferability is limited due to differences in local consumer taste and the perishability of the raw material and products. Thus the interest in and need for European-wide coordination is different. Also service sectors differ in their degree of internationalization and thus their need for trans-national coordination. In the telecommunications sectors many providers act internationally and competition is transnational. This is different in other service sectors such as in the hairdressing and hospitals sectors in particular. Differences among sectors in internationalization and thus the need for and interest in European-wide coordination are also caused by differences among sectors in the average company size and ownership. Many multinational companies established an internal market for investment that is driven by practices across their national locations (e.g. Marginson and Sisson 2004). Differences in the presence and share of multinational companies across sectors influence the need for transnational activities of sectoral social partners. Thus the sector selection facilitates the

analysis not only of the impact of very different IR configurations, but also permits controlling for variations in the economic environment.

As mentioned previously, another criterion for the selection of sectors was the availability of comparable data. The European Industrial Relations Observatory (EIRO) provides comprehensive information on sectoral IR systems for all member states of the EU. EIRO representative studies on sectoral IR systems number many sectors for which comparable data is available. Out of the available sectors we have chosen a balanced set of sectors which fulfil the selection criteria mentioned above. To avoid any predominance of specific sectors three traditional service sectors were considered in the sample (hospitals, hairdressing and other beauty treatments, and telecommunications), three sectors from manufacturing (steel, sugar, and tanning and leather) and three sectors from transport (civil aviation, railways, and sea and coastal water transport). In line with the above principles, scopes and considerations, this sample seeks to maximize inter- and intra-sectoral variety in internationalization of sectors and thus in their interest in transnational coordination. In addition to that, the sector differences in the organizational and structural nature of IR are maximised.

For the test of the above hypotheses both a qualitative approach (i.e. QCA) is used which enables a higher degree of generalization compared to traditional qualitative analyses. The QCA approach rests on a ‘quantification’ of information or data. This empirical strategy has two reasons and advantages. First, the sector characteristics and factors which influence the efficacy of the ESSD rest mainly on quantitative indicators which allow a more systematic, larger scale analysis. Another reason for using QCA is that the sample consists of data for nine sectors. This sector size is definitely challenging for any classical qualitative analysis as the consideration of nine sectors is ambitious and would ‘overstretch’ a traditional qualitative analysis.

Empirical analysis of the factors that trigger the functioning of the ESSD

In the empirical analysis the impact of the national sectoral IR context in general and collective bargaining in particular on the outcome of ESSD is tested. The envisaged outcome of ESSD is agreements implemented in accordance with Article 154(2); whether implemented by council decision or as autonomous agreements with procedures and practices specified by the social partners and the EU member states. As explained, to maximize the variance in IR configurations a cross-sectoral comparison was chosen as the sectors covered represent different economic and IR contexts and configurations. The study entails sectors fully exposed to global markets, sectors closely integrated into EU liberalization and harmonization policy controlling competition, and unexposed sectors. The investigation provides an insight into sectoral IR systems in nine sectors for the 27 European member countries. The paper explores the impact of national sectoral IR bargaining systems on the occurrence of agreements concluded at the European sector level in nine sectors representing different competitive environments and bargaining coordination strategies. For the analysis a QCA is used which is explained below.

Research method: QCA

In comparative case studies - as in this work - where the number of cases is rather small, because of a small-*N* population or when only a limited number of cases were selected, the number of variables usually exceeds the number of cases. Traditional comparative methods were criticised because too few cases do not allow for testing all potentially relevant variables (Lijphart 1971). Qualitative comparative analysis is a method of treating complex causal relationships (Ragin 1987). QCA aims to test configurations (theorems) rather than single variables. Based on this characteristic of QCA a greater variety of cases and conditions can be processed and there are fewer problems with a small-*N* situation. QCA is based on an extension of Mill's method (Mill 1974) of controlled comparison and relies on Boolean algebra. QCA is comparative in that it explores similarities and differences across cases by comparing configurations. QCA allows for the identification of the diversity of multiple causations and the variation of IR attributes that lead to differences in the outcome of ESSD across the nine sectors in this study. Hence, QCA does not focus on single variables. Each case is a particular configuration of the sectoral IR attributes and the goal is to show how the different attributes interconnect in sectors with ESSD agreements and in sectors where no agreements have been concluded so far. Therefore, this method is able to identify the diversity of multiple causations and the variety of characteristics that lead to the different outcomes across sectors. The main problem of QCA is the transformation of data, in particular the need to dichotomize each variable. The selected cut-off points may be questionable, implying sensitivity of results to the coding of cases (Goldthorpe 1997). Multi-value QCA (mvQCA) alleviates this problem by capturing multi-value variables on the basis of ordinal scales (Cronqvist 2006). Apart from this, there is also the need to consider the number of cases. While QCA is more capable of addressing small-*N* situations, mvQCA is more suited to a medium number of cases.

In terms of tools, this study employs mvQCA based on TOSMANA² to test the hypotheses. By using mvQCA a greater variety of cases and conditions can be processed. The choice of the independent and dependent variables for the analysis is guided by relevant theory. The number of possible configurations depends on the operationalization and scale of variables. In the case of complex research questions that are characterised by a large number of independent multi-value variables the logical configurations easily outnumber the observations in the case studies. With QCA comparisons are made in terms of the presence or absence of all logical conditions listed in the data-matrix. All theoretically possible configurations and the outcome associated are listed in the data-matrix where each row displays a specific combination of conditions (i.e. cases). QCA and mvQCA are variable sensitive, i.e. the more variables the more non observed configurations may be produced. Non-observed configurations are also called logical reminders since no empirical observations (cases) are available for these configurations. Modifying the operationalization in one condition, e.g. dichotomizing a variable that was multi-scaled before or introducing additional conditions may decrease/increase the number of rows in the data-matrix and the number of logical reminders. Because of the increase in the number of possible combinations the number of possible contradictions (i.e. different combinations with the same outcomes) increases as well. Different model specification of the same dimensions may result in different solutions as a result of the minimization process with mvQCA. Hence, the effect of the scales and number of variables on the minimization process must be considered for the models.

The (empirical) research question is: What factors account for variations in the outcomes of ESSD in nine different sectors? Different configurations of causes produce different outcomes across the range of sectors in two periods. The aim of this comparison is to analyze configurations of IR attributes across nine sectors during two periods: First, for the EU-15 member states in period I (1998 - May 2004), and second, for the EU 27 member states in period II (2004 - 2010), after EU enlargement in May 2004.

- Table 3 and 4 here -

One hypothesis of the paper is that union strength, employer density and the use of extension practices, as well as the exposure of sectors to international competition determine whether coordinated bargaining at the European sectoral level can occur. Union and employer strength is measured as the ratio of actual to potential members. As regards the extension practices, this paper differentiates between pervasive extension practices and no/limited extension practices. In the case of economic contexts, an important distinction is made between fully exposed sectors, sectors which have limited exposure to markets and unexposed sectors.

The idea of QCA is that in a situation of complex causation and combinatorial variety (i.e. the same outcome can be explained by a variety of different contextual configurations) methods that can reduce and systemize complexity are superior. The advantage of QCA is that it does not look at single variables but at the presence or absence of conditions and how they combine. QCA is able to identify different combinations of relevant causal contexts. To transform causal variables into configurations the Boolean AND is used. For example, the combination of the conditions *high union density* AND *extension practices* produce the outcome *ESSD agreements*. Here, both conditions are necessary but not sufficient to produce the outcome. The Boolean OR is used to combine two or more configurations. For example in the case of the combination of the absence of the condition *exposure to international markets* OR presence of high *union density* in combination with *extension practices* are sufficient but not necessary for the outcome. QCA allows for more complex configurations with the possibility that no single cause may be either necessary or sufficient to produce the outcome. QCA does not focus on the presence/absence of single variables but examines whether the causal variables can produce the outcome alone or in combination with each other. This means that each case is seen as a configuration of a given combination of specified context conditions (variables and its values) that relate to an outcome. In the case of the hypothesis exemplified below the independent variables are *union strength* and *extension provisions* and the *exposure of sectors*. The outcome variable which we would like to explain is *ESSD agreements*.

*Union strength * Employer strength * Extension practices * Exposure to international markets = ESSD agreements*

If sectors and their bargaining systems differ in their impact on the governability of coordinated bargaining at the European level, then different configurations of IR systems

(different strength of IR systems) and the exposure of sectors to international markets should lead to different outcome values.

In the following we briefly illustrate the use of QCA. In the first step, one has to select variables that are categorised for cross-case analysis. In our case the problem is that a simple dichotomization of non-dichotomous phenomena (e.g. exposure of sectors to internationalised markets) would lead to measurement biases. We therefore employ mvQCA. Using mvQCA has the advantage that we can use multi-value scales for our variables. The integration of multi-value scales allows for more appropriate categorization of the data and alleviates the problem of contradictory configurations (i.e. the same configurations result in different outcomes) (Braumoeller and Goertz 2000). For the problem at hand, *union strength* and *employer density* is genuinely interval scaled and must be re-coded into only a few scales. Re-coding of the observed data was done by threshold setting. The *extension practice* is binary-valued with the scales 0 – 1 (0 stands for no/limited use of extension practices, 1 for pervasive extension practices). The variable *exposure to international markets* is multi-valued with the scales 0-2 (0 stands for unexposed sectors, 1 for limited and 2 fully exposed to international competition). The dependent or outcome variable in this model is *ESSD agreements* which is binary-valued with the values 0 – 1 (0 stands for no agreements, 1 for agreements). The mvQCA approach uses data-matrices to address diversity as supposed by the hypothesis. The hypothesis above is operationalised by one multi-scaled and three binary-scaled causal conditions which result in twenty four theoretically logical configurations. The theoretical model used in the analysis also entails the variable employer density; this condition does not show significance in the QCA analysis. Extension practices and employer density are highly correlated (Traxler 1998, Traxler et al. 2001) and we therefore exclude this variable from our model. The modified model entails the conditions exposure of sectors to international markets, union density and extension practices to explain the outcome ESSD agreement. The sample comprises nine sectors representing seven empirically different configurations of IR characteristics (or seven different causal paths). It is possible that a given combination of conditions (variables) explains one single case, while another combination of variables explains more than one case. The importance of given combinations of conditions does not depend on the number of cases explained by each configuration or “path.”

- Table 5 and 6 here -

By looking at the different combinations of the causal variables in the data-matrix the presence/absence of a given outcome can be explained. In our study *union strength* and *extension practices* and *exposure of sectors* are the causal variables to explain the occurrence of *ESSD agreements*. If the outcome differs for the same configuration, the outcome is set to C (contradiction). The minimization process examines which configurations bring about the same outcome and if these outcomes can be reduced to simpler – less complex – combinations which can explain all cases with the same outcome. The process of minimization means reducing complexity so that conditions which are necessary or sufficient for a specific outcome become evident. A cause is defined as necessary when it must be present for a certain outcome. A cause is defined as sufficient when it by itself can produce a specific outcome (Braumoeller and Goertz 2000). Minimization is a step-wise process. TOSMANA is designed to find covers of the smallest configuration.

The problem of limited diversity of social phenomena is also present in QCA, if the data do not cover all theoretically possible configurations as stated in the data-matrix. When the number of cases is small the data-matrix may show rows without cases (i.e. logical reminders). This may apply even to a larger number of cases if single combinations are covered in more than one case. In this case theoretical model building must recognize that some combinations are not observable (Schneider and Wagemann 2006). Limited diversity complicates analysis. For example, by matching cases that differ in only one single causal condition, it would be possible to construct focused comparisons that facilitate the assessment of causation. But if causation is complex and involves combinations of causal conditions, it is necessary to minimize the causal configurations (so as to generate general patterns that can explain all cases) when it comes to assessing the limitations to diversity. The challenge of this task is to find the right balance between complexity and parsimony. In the case of the above hypothesis an explanation capturing maximum complexity would allow for twelve different causal combinations linked to at least two different outcomes. In contrast, the parsimonious explanation may focus on one causal condition. If one wishes to determine the combinations of causal configurations that distinguish the set of cases (nine sectors) under investigation, it is necessary to examine similarities and differences across cases.

With regard to our hypothesis either *union strength* and/or *extension practices* may be seen as important to yield *ESSD agreements*. The goal is to uncover the interplay of conditions and check whether there are different configurations that bring about the same outcome. With mvQCA we can detect the different configurations that bring about different/the same outcomes in nine sectors representing different economic context. The results of our analysis are outlined in detail below:

- We confirmed that in the absence of extension practices strong unions can impose coordinated bargaining at the European sectoral level. This holds for sectors which are closely integrated into European community policies and have only limited exposure to international competition. In the case of controlled competition the cartelizing function can be achieved at the European sectoral level for the sectors: railway, sea transport and civil aviation.
- In this study we could show, that sectors characterised by weak IR structures (i.e. low union density in combination with lacking extension provisions) are not able to impose coordinated bargaining at the European sectoral level, independently of the economic context and exposure of the sectors envisaged.
- Furthermore, we didn't find ESSD agreements in sectors recognizing global competition and where extension practices are widespread. Assuming the close link between employer density and extension provisions, in competitive environments employer successfully avoided the cartelizing effect of coordinated bargaining at the European sectoral level.

Sectors not exposed to international competition like hospital and healthcare and hairdressing successfully imposed ESSD agreements. European sectoral level regulations cartelize

national sectoral employment conditions which are becoming increasingly heterogeneous in times of liberalization and privatisation as in the case of public services. With respect to the contradictory outcome in railways and civil aviation (where no agreement was concluded in period II for the civil aviation sector) the social partners in civil aviation are highly fragmented covering a range of different occupations which are affected by EU liberalization and harmonization policies to different degrees. Competing inter- and intra-class interests at the national as well as at the European sectoral level complicate coordination among social partners in civil aviation.

Conclusions

European social dialogue at the sectoral level is frequently seen as weak as it is fragmentary across all sectors in the EU. Even though sectoral committees have now been established for more than 40 European sectors, their functioning and efficacy is criticised (Pochet et al. 2009), in particular for their uncertain impact (e.g. Keller, 2003). In Marginson's words, 'as such the European sector level represents a weak link between the European cross-sector and company levels, and also between national systems and the European level' (Marginson 2005, p. 512).

But as shown in this work the weakness of the sector level (i.e. of the ESSD) is not generalizable but is sector specific. ESSDC differ in terms of their capacity, efficacy and success in governing labour relations across countries. Some ESSDC are provided with national and European IR structures that allow them to use the European arena for the governance of their labour issues. As the analysis has shown, there are certain IR factors behind the functioning and relevance of ESSD. In sectors which are characterised by limited exposure to international competition or when sectors are characterised by high union density in combination with non-pervasive extension practices it is more likely that the ESSD is used as an arena to regulate labour issues transnationally (i.e. European-wide).

So, contrary to sceptical critiques of the functioning of ESSD per se, the European sector can be (and indeed is) a well functioning and promising arena for the European governance of labour issues. It has been shown that ESSD is favoured by certain configurational characteristics of sectoral IR systems particularly by high sectoral union density with rudimentary extension practices. These configurational characteristics are favouring the functioning of the ESSD and if (and only if) these conditions are present the link between sectoral IR and ESSD is strong.

The study has not analyzed the implementation of ESSD agreements. The issue of implementation is particularly evident for the ones which take the 'soft' law route via national social partners. The implementation via 'soft' law is depicted by many observers as a difficult process that incorporates different levels and arenas of national social partners' activities and decision making (e.g. Keller and Weber 2011, Weber 2010). As shown by Prosser (2011), implementation performance also varies across countries. There are several countries which have implemented ESSD agreements via national social dialogue procedures and practices while there are other countries which have failed. Even though not explicitly

analyzed here, one can expect that the configurational characteristics which foster the ESSDC activities in terms of outcome correspond with the factual implementation. This is because these configurational characteristics enable national social partners' implementation as they reflect a high degree of coordination of the IR and collective bargaining system which is, according to Keller and Sörries (1998), a necessary condition for implementation. Factual implementation is possible given these configurational structures and can also be expected to be executed as, according to Visser (1998), there is 'pressure' because of the 'moral weight' of agreements as the process of implementation is constantly monitored.

This allows us to advance the argument that the IR configurations identified (here?) not only have a positive impact on the ability of ESSDCs to induce texts, but also on the actual implementation at the national level and more generally on the further development of ESSD. This emerges as a strong link, for the governance of the labour market, between the European and the national sector levels, and thus for the European wide governance of labour market issues.

References

- Bechter, B., Brandl, B. and Meardi, G. (2011a): *From national to sectoral industrial relations: Developments in sectoral industrial relations in the EU*. Dublin: Eurofound.
- Bechter, B., Brandl, B. and Meardi, G. (2011b): Die Bestimmungsgründe der (Re-)Sektoralisierung der industriellen Beziehungen in der Europäischen Union. *Industrielle Beziehungen*, 18(3), 143-166.
- Bechter, B., Brandl, B. and Meardi G. (2012): Sectors or Countries? Typologies and levels of analysis in comparative industrial relations. *European Journal of Industrial Relations* (forthcoming).
- Braumoeller, B. F. and Goertz, G. (2000): The methodology of necessary conditions. *American Journal of Political Science*, 44, 844-858.
- Cronqvist, L. (2006): TOSMANA. Tool for small-N analysis version 1.255 <http://www.tosmana.org/>.
- Crouch, C. (1993): *Industrial relations and European state traditions*. Oxford: Oxford University Press.
- Crouch, C. and Traxler, F. (1995): *Organised industrial relations in Europe: what future?* Aldershot: Avebury.
- Dølvik J.E. (ed) (2001): *At your service? Comparative perspectives on employment and labour relations in the European private sector services*. Brussels : PIE-Peter Lang.
- Due, J., Madsen, J.-S. and Jensen, C.-S. (1991): The social dimension: convergence or divergence of industrial relations in the single European market? *Industrial Relations Journal*, 22, 85-102.
- European Commission (2010): *European Sectoral Social Dialogue: recent developments, 2010 edition*. Directorate-General for Employment, Social Affairs and Equal Opportunities. Brussels: European Commission.
- Goldthorpe, J. H. (1997): Current state in comparative macrosociology: a debate on methodological issues. *Comparative Social Research*, 16, 1-26.
- Hyman, R. (2001): The Europeanisation – or the erosion – of industrial relations. *Industrial Relations Journal*, 32, 280-294.
- Katz, H. (1985): *Shifting gears: Changing labor relations in the U.S. automobile industry*. Cambridge, MA: MIT Press.
- Katz, H. and Darbishire, O. (2000): *Converging divergences: worldwide changes in employment systems*. Cornell: Cornell Studies in Industrial & Labour Relations.
- Keller, B. (2003): Social dialogue at sectoral level: the neglected ingredient of European industrial relations. In Keller, B. and Platzer, H.-W. (eds.), *Industrial relations and European industrial integration: trans- and supranational developments and prospects*. Ashgate: Aldershot, pp. 30-57.
- Keller, B. and Sörries, B. (1998): The sectoral social dialogue and European social policy: more fantasy, fewer facts. *European Journal of Industrial Relations*, 4(3), 331-348.
- Keller, B. and Weber, S. (2011): Sector social dialogue at EU level: Problems and prospects of implementation. *European Journal of Industrial Relations*, 17(3), 227-243.
- Leisink, P., (2002): The European sectoral social dialogue and the graphical industry, *European Journal of Industrial Relations*, 8(1), 101-117.
- Lijphart, A. (1971): Comparative politics and the comparative method. *The American Political Science Review*, 65, 682-693.
- Locke, R. (1992): The demise of the national union in Italy: lessons for comparative industrial relations theory. *Industrial and Labour Relations Review*, 45, 529-546.

- Marginson, P. and Sisson, K. (1998): European collective bargaining: a virtual prospect? *Journal of Common Market Studies*, 36, 505-528.
- Marginson, P. and Sisson, K. (2002): Co-ordinated bargaining: a process for our times? *British Journal of Industrial Relations*, 40, 197-220.
- Marginson, P. and Sisson, K. (2004): *European integration and industrial relations. Multi-level governance in the making*, Basingstoke: Palgrave Macmillan.
- Marginson, P. (2005): Industrial relations at European sector level: the weak link? *Economic and Industrial Democracy*, 26, 511-540.
- Mill, J. S. (1974): A system of logic. CUWS classical utilitarianism web site; <http://www.la.utexas.edu/research/poltheory/mill/sol/index.html>.
- Pochet, P., Peeters, A., Léonard, E. and Perin, E. (2009): *Dynamics of European sectoral social dialogue*. Luxembourg: Publications Office of the European Union.
- Prosser, T. (2011): The implementation of the Telework and Work-related Stress Agreements: European social dialogue through 'soft' law? *European Journal of Industrial Relations*, 17(3), 245-260.
- Ragin, C. C. (1987): *The comparative method. Moving beyond qualitative and quantitative strategies*. Berkeley: University of California Press.
- Rhodes, M. (1991): The social dimension of the single European market: National versus transnational regulation. *European Journal of Political Research*, 19, 245-280.
- Schneider, C. Q. and Wagemann, C. (2006): Reducing complexity in qualitative comparative analysis (QCA): remote and proximate factors and the consolidation of democracy. *European Journal of Political Research*, 45, 751-786.
- Streeck, W. (1998): The internationalisation of industrial relations in Europe: prospects and problems. *Politics and Society*, 26, 429-459.
- Streeck, W. and Visser, J. (2006): Conclusion. Organised business facing internationalisation. In: W. Streeck, Gröte, J.R., Schneider, V., and Visser, J. (eds) *Governing interests. Business associations facing internationalisation*. London/New York: Routledge, pp. 242-272.
- Silvia, St. J. and Schroeder, W. (2007): Why are German employers associations declining? Arguments and evidence. *Comparative Political Studies*, 40, 1433-1459.
- Thelen, K. and Van Wijnbergen, C. (2003): The paradox of globalisation: Labour relations in Germany and beyond. *Comparative Political Studies*, 36, 859-880.
- Traxler, F. (1998): Collective bargaining in the OECD: developments, preconditions and effects. *European Journal of Industrial Relations*, 4, 207-226
- Traxler, F. and Brandl B. (2009): Towards Europeanization of wage policy: Germany and the Nordic countries. *European Union Politics*, 10(2), 177-201.
- Traxler, F., Blaschke, S. and Kittel, B. (2001): *National labour relations in internationalised markets. A comparative study of institutions, change and performance*. Oxford: Oxford University Press.
- Traxler, F. Brandl, B., Glassner, V. and Ludvig. A. (2008): Can cross-border bargaining coordination work? Analytical reflections and evidence from the metal industry in Germany and Austria. *European Journal of Industrial relations*, 14(2), 217-237.
- Visser, J., (1998): The Netherlands: The return of responsive corporatism. In: Ferner, A. and Hyman, R. (eds) *Changing industrial relations in Europe*. Oxford: Blackwell, pp. 283-314.
- Visser, J. and Ramos Martin, N. (2008): Expert report on the implementation of social partners' framework agreement on telework. Amsterdam, Amsterdam Institute for Advanced Labour Studies.
- Weber, S. (2010): Sector social dialogue at EU level – recent results and implementation challenges. *Transfer*, 16(4), 489-507.

Welz, C. (2008): *The European social dialogue under articles 138 and 139 of the EC Treaty: Actors, processes, outcomes*. The Netherlands: Kluwer Law International BV.

Endnotes

¹ The 27 EU member countries are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

² TOSMANA stands for Tool for Small-*N* Analysis. The Software was been developed by Lasse Cronqvist and allows the user to process data using the mvQCA method. A useful introduction and further detailed information can be found at www.tosmana.org.

Appendix

Description of variables and data sources

Variable and abbreviation	Explanation	Source
<i>Independent variables:</i>		
Union density	Aggregate union density: the sum of all sectoral union members of all sector-related unions to the total number of sector employees; as a percentage.	EIRO national centres*
Employer density	Aggregate employer associations' density: the ratio of the total number of employees working in companies of the sector which are a member of one of the sector-related employer associations; as a percentage.	EIRO national centres*
Extension practices	If extension practices are pervasive (= 1) and no or limited extension practices (= 0)	EIRO national centres*
Exposure of sectors	If sectors are fully exposed to international/global markets (=2), limited exposed to international markets (=1), and unexposed to international markets (=0)	Bechter et al. (2011a)
<i>Dependent variable:</i>		
Agreements	If an agreement can be found in a sector (Yes = 1; No = 0). Agreement council decisions: binding agreements (whether or not implemented through European directives) which must be followed up and monitored, since they are based on Article 155 of the Lisbon Treaty.	Social Dialogue text database**

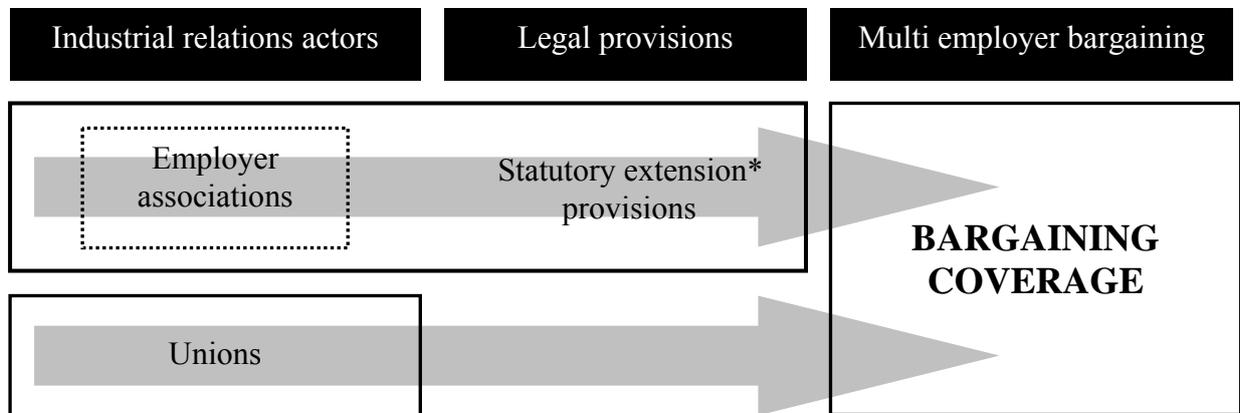
Notes: Data refers to 2004 to 2007.

*Data is provided by the EIRO national centres (on the basis of a standardised questionnaire survey).

**Social Dialogue text database: <http://ec.europa.eu/social/main.jsp?catId=521&langId=en>.

Figures and Tables:

Figure 1. Preconditions for sector's collective bargaining coverage



*employer related extension provision

Figure 2. Determinants of European sector level collective bargaining



Table 1. Cartelizing effect of collective agreements at the *national, sectoral level and the European sectoral level*

Exposure of sectors to international competition	<i>Cartelizing effect of collective bargaining</i>	
	National sectoral bargaining	European level sectoral bargaining
<i>Fully exposed</i>	NO	NO
<i>Limited* exposed</i>	NO	YES
<i>Not exposed</i>	YES	YES

*Limited (controlled) competition: former public service sectors, which are closely integrated into EU liberalization and harmonization policy.

Table 2. Agreements - directives and autonomous agreements - concluded in period I (1998 - May 2004) EU-15 and period II (since May 2004 - 2010) EU-27

<i>Sector</i>	<i>Agreements EU-15</i> 1998 - May 2004	<i>Agreements EU-27</i> May 2004 - 2010
Steel	0	0
Sugar	0	0
Tanning and Leather	0	0
Civil Aviation	2002	0
Railway Infrastructure	1998, 2004, 2004 (A*)	2009 (A)
Sea and Costal Water Transport	1998	2008
Hospitals	0	2009
Hairdressing and other Beauty Treatments	0	2009 (A)
Telecommunication	0	0

*A: Autonomous agreements

Table 3: Data matrix of IR in the EU 15 member states for the period I (1998-2004)

Exposure to international markets (Fully/limited/un-exposed)	Pervasive extension practices (prevalent in $\geq 30\%$ of the countries, prevalent in $< 30\%$ of the countries)	Union density (high: $\geq 60\%$, low: $< 60\%$)	Employer density (high: $\geq 70\%$, low: $< 70\%$)	ESSD Outcome EU-15 (Agreement: yes/no)	Sector
fully exposed	widespread	high	high	no	Steel
fully exposed	seldom	low	high	no	Sugar
fully exposed	widespread	low	low	no	Tanning
limited exposed	seldom	high	low	yes	Civil Aviation, Railways
fully exposed	seldom	high	high	yes	Water Transport
unexposed	widespread	low	high	no	Hospital
unexposed	widespread	low	low	no	Hairdressing
limited exposed	widespread	low	low	no	Telecommunication

Table 4: Data matrix of IR in the EU 27 member states for the period I (2004-2010)

Exposure to international markets (Fully/limited/un-exposed)	Pervasive extension practices (prevalent in $\geq 30\%$ of the countries, prevalent in $< 30\%$ of the countries)	Union density (high: $\geq 60\%$, low: $< 60\%$)	Employer density (high: $\geq 70\%$, low: $< 70\%$)	ESSD Outcome EU-27 (Agreement: yes/no)	Sector
fully exposed	widespread	high	high	no	Steel
fully exposed	seldom	low	high	no	Sugar
fully exposed	widespread	low	low	no	Tanning
limited exposed	seldom	high	low	no	Civil Aviation,
limited exposed	seldom	high	low	yes	Railways
fully exposed	seldom	high	high	yes	Water Transport
unexposed	widespread	low	low	no	Hospital, Hairdressing
limited exposed	seldom	low	low	no	Telecommunication

Note: Differences in the outcome between EU15 (1998-2004) and EU27 (since May 2004-2011) can be explained by the time at which the liberalization of the nine sectors become effective.

Table 5: Data matrix with Observed configurations of IR in the EU 15 member states (1998-2004)

Exposure to international markets	Extension provision	Union density	Agreements EU-15	Sector
2	1	1	0	Steel
2	0	0	0	Sugar
2	1	0	0	Tanning
1	0	1	1	Civil Aviation, Railways
2	0	1	1	Water Transport
0	1	0	0	Hospital, Hairdressing
1	1	0	0	Telecommunication

Table 6: Data matrix with observed configurations of IR in the EU 27 member states (2004-2010)

Exposure to international markets	Extension provision	Union density	Agreements EU-15	Sector
2	1	1	0	Steel
2	0	0	0	Sugar
2	1	0	0	Tanning
1	0	1	C*	Civil Aviation, Railways
2	0	1	1	Water Transport
0	1	0	1	Hospital, Hairdressing
1	0	0	0	Telecommunication

* Contradiction: Same configuration of IR shows outcome yes in railways but no agreement in civil aviation